

STATE OF
IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**





Potato Field Under Irrigation
Photo Courtesy of the Idaho Potato Commission

The Snake River and Agriculture

The Snake River has shaped the human geography of southern Idaho and Idaho's economy. Many of Idaho's largest population centers are located near the Snake or its tributaries. Today a massive irrigation infrastructure allows the Snake River Plain inhabitants to produce potatoes, wheat, beets, and other crops in a semi-arid desert.

The Snake is an intensely managed "working river." At the turn of the twentieth century, several Idaho entrepreneurs, working with the first federal water project under the *National Reclamation Act*, jump-started large-scale irrigation from the Snake River onto the lands of south-central Idaho. Of the more than four million acres of irrigated land on the Snake River Plain, about 1.5

million are supplied by the aquifer and other ground water sources; the other 2.5 million by surface water through an extensive system of canals.

Water is arid Idaho's lifeblood. It has a value greater than gold or oil and a social influence equal to and even greater than other prized natural resources. From the Snake River and numerous aquifer systems, this lifeblood supports Idaho's agriculture, which in turn pumps over \$3.8 billion per year into the State's economy and accounts for 27 percent of the State's gross product. The potato industry alone was a \$720 million business in 2002.

IDAHO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2003**



**DIRK KEMPTHORNE
GOVERNOR
KEITH L. JOHNSON
STATE CONTROLLER**

PREPARED BY THE OFFICE OF THE STATE CONTROLLER

STATE OF IDAHO

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Thanks and appreciation to the Bureaus of Accounting Operations, System Administration, Accounting Customer Resource Center, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.

The Office of the State Controller would like to extend a special acknowledgement and thanks to J.D. Williams. J.D. served as the State Controller from March 1, 1989, to September 30, 2002. During J.D.'s tenure, great strides were taken by the Office in the utilization of technology, creating efficiencies in State government, and in better financial reporting.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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Introductory Section



Hells Canyon Visitor Center
Photo Courtesy of the Idaho Department of Commerce

The Snake River's Hells Canyon

The Snake River provides many recreational opportunities as it journeys through Idaho. Recreational enthusiasts enjoy activities such as fishing, rafting, camping, jetboating, and hiking.

Many miles upriver from Hells Gate State Park, the Snake River winds through Hells Canyon, the deepest

gorge in North America. This wild and spectacular area is best visited by boat; there are no roads leading through the canyon. Old homesteads, long-forgotten prospector cabins, and Native American petroglyphs offer a fascinating human story in the midst of the spectacular scenery.



Jetboating Through the Hells Canyon
Photo Courtesy of the Idaho Department of Commerce



Keith L. Johnson

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November 28, 2003

To: The Honorable Dirk Kempthorne, Governor
Members of the Legislature
Citizens of the State of Idaho

As required by *Idaho Code*, Section 67-1001, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) to you for the fiscal year ended June 30, 2003. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited basic financial statements, will provide you and the financial community with the information necessary to assess Idaho's financial position, results of operations, and management of its financial resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented is accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations. It is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and includes recommendations of the Government Finance Officers Association. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial position and results of operations have been included.

The State's management has established and maintained an internal control structure in order to ensure that the financial statements are free from material misstatement and that the State's assets are adequately protected from loss, theft, or misuse. The State's Management Control System includes both financial and administrative

controls and provides a framework for managers to work within their own organizational structures to promote efficient and effective operations in the State. Because the cost of internal controls should not outweigh their benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature audited the State's basic financial statements for the fiscal year ended June 30, 2003, in order to provide reasonable assurance that the CAFR is free of material misstatement. The audit was conducted in accordance with generally accepted governmental auditing standards, and the auditor's opinion is included as the first component of the Financial Section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Idaho's basic financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP.

In addition, the Legislative Audit staff has the responsibility for conducting statewide audits under the Federal *Single Audit Act of 1984* and the related Office of Management and Budget *Circular No. A-133* in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

GASB Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 84,437 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1,341,131. State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate, and a 70-member House of Representatives. The Judicial Branch is presided over by the Supreme Court, which is led by the Chief Justice, elected by the four other Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. In addition to general government activities, component units that are part of this report include Idaho State Building Authority, Idaho Life and Health Insurance Guaranty Association, and Petroleum Clean Water Trust Fund.

The annual budgetary process serves as the foundation for the State's financial planning and control. In September of each year, state agencies submit to the Governor's Office and the Legislature's Budget and Policy Analysis staff requests for appropriations for operating expenditures, special outlays, and specific purposes. The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control generally is the same as appropriations.

All claims presented for payment must be certified by the appropriate department that the expenditure is for a purpose intended by law and a sufficient existing and unexpended appropriation balance is available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure

expenditures do not exceed authorized appropriations. The budgetary process is further described in Note 1 and Required Supplementary Information.

FINANCIAL CONDITION

Economy

The current national economic forecast shows the economy picking up steam after the 2001 recession. After growing just 2.4 percent in 2003, real gross domestic product is expected to increase 4.3 percent in 2004 and 3.3 percent in 2005 and 2006. Idaho's economy has also begun to show improvements.

It is estimated that Idaho nonfarm employment will increase 4 percent in 2003 after remaining flat during 2002. The outlook calls for nonfarm employment to accelerate slightly by 1.2 percent in 2004, 1.7 percent 2005, and 1.6 percent in 2006.

The services sector is Idaho's largest and fastest growing part of the economy. Last year more than four out of every ten jobs were in the services-producing sector. From 1991 to 2002, the number of service-producing jobs increased 63.2 percent. It is estimated employment will increase in the services sector by 1.7 percent in 2003, 2.2 percent in 2004, and 2.8 percent in 2005 and 2006.

Idaho's computer and electronics sector has not been immune from the effects of the national business cycle. After enjoying stellar success during the 1990s, this sector has suffered setbacks. Most recently, Micron laid off around 1,100 workers in Idaho. This move was part of the company's plan to reduce costs in response to one of the industry's most challenging periods. Micron is the world's second largest manufacturer of computer memory products. In addition, layoffs by other firms have cost this sector approximately 4,000 jobs during the current downturn. This sector is expected to continue facing challenges during 2003 and 2004, but it is expected to add jobs beginning in 2005.

Idaho's lumber and wood products sector remains dismal. This sector's employment is expected to decline from 9,356 in 2003 to 8,212 in 2006. According to federal records, harvests from Idaho national forests fell an astounding 78 percent over the past decade. What is especially disappointing is that Idaho has fared so poorly during a period of such strong demand. U.S. housing starts expanded from 1.57 million in 2000 to 1.71 million in 2002. However, the current situation is being shaped not by demand, but supply. Put simply, the world is awash with supply, which is keeping prices low despite the healthy demand.

Personal income increased 3.8 percent in 2002 and is estimated to have grown 3.5 percent in 2003. The outlook calls for personal income to increase 5.2 percent in 2004, 5.2 percent in 2005, and 5.5 percent in 2006.

Population growth for 2003 is expected to be 1 percent, a continuing decrease from 2002's rate of 1.5 percent. This is a little higher than the expected U.S. population growth of .09 percent. Idaho's population growth is expected to remain at 1 percent through 2006. However, net migration is expected to increase from the recent rate of about 2,871 in 2003 to 3,353 in 2006.

Major Initiatives

Public Schools. The total fiscal year 2003 public school budget of \$985.5 million represents a 1.6 percent increase over fiscal year 2002. Funding was provided to allow a 3.75 percent raise for teachers with less than 13 years of experience and for teachers who earned additional credits and degrees. The budget provides full funding for the Limited English Proficiency, Safe & Drug-free Schools, and the Gifted and Talented program. The budget also includes \$8.4 million for technology, \$3.3 million for the Idaho Reading Initiative, \$2 million for classroom supplies, and \$4 million for the implementation of achievement standards.

Colleges and Universities. The fiscal year 2003 appropriation for the general education programs at the State's four-year college and universities reflects a 9.7 percent decrease in general funds and a 6.7 percent decrease in total funds. The decrease is due to a permanent base reduction of \$25 million and elimination of 212 full-time positions as recommended by the Governor. Of this amount, \$1.3 million was due to a reduction in available endowment earnings.

Health and Human Services. The fiscal year 2003 appropriation for medical assistance payments reflects a 4.8 percent increase in general funds and a 6.0 percent increase overall. The key issues for fiscal year 2003 centered on getting control of rising Medicaid costs. The Legislature endorsed the Governor's recommendation of putting together an appropriation for fiscal year 2003 that included cost saving initiatives for hospital services, prescription drugs, and other medical services.

Building Projects. During fiscal year 2003, \$35 million in Permanent Building Fund maintenance projects were canceled and the money was transferred to the General Fund as part of the effort to balance the State's General Fund budget. In addition, the Legislature chose to delay the Capitol restoration project due to the uncertain financial situation facing the State.

Cash Management and Investments

The State Treasurer is responsible for investing the State's cash, except for certain organizations within the State's reporting entity having independent powers to manage and invest their own cash. The State Treasurer is allowed to invest in investment grade ("A" rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds. The State Treasurer also manages an investment pool for local governments' cash balances under the same legal provisions. Cash management and investments are discussed more fully in Notes 1 and 2 to the financial statements.

Risk Management

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. The Risk Management fund manages property and general liability risk. It self-insures general liability up to \$500,000 per claim and property damage claims up to \$250,000 per claim. Commercial insurance is purchased for property and general liability risks not self-insured. The Group Insurance fund manages life, health, and disability insurance programs. While the State purchases commercial insurance to cover losses for these programs, claims that exceed 100 percent of the annual carrier premiums are paid by the State, up to 110 percent of the medical premium, 114 percent for dental insurance, and 110 percent for life insurance. The insurance carrier then assumes the risk of loss for claims above these amounts. Risk Management is discussed more fully in Note 8 to the financial statements.

Pension and Other Postemployment Benefits

The Public Employee Retirement System of Idaho (PERSI) administers a multiple-employer defined benefit retirement plan to provide retirement benefits for public employees in the State. Benefits are funded from members, employers, and earnings from investments. The funding policy provides for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due. An actuarial valuation is performed annually. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for PERSI permitted under *Idaho Code*, Section 59-1322, is 25 years. On an actuarial basis, the assets held currently fund 83.8 percent of the liability for all PERSI employers.

The State also funds or partially funds postemployment benefits relating to health, disability, and life insurance. Postretirement health insurance benefits are advance

funded with employer contributions on an actuarially determined basis. Postretirement health insurance premiums are paid from the retiree's sick leave account. Additional information on the State's pension arrangements and postemployment benefits can be found in Notes 6 and 7 to the financial statements.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. This is the sixth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2002. This is the fifth year the State received this

prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the system for the last twelve years. PERSI should be recognized for this major accomplishment.

ACKNOWLEDGEMENTS

The State Controller's Office takes great pride in the preparation of this comprehensive report. It is an honor to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff at Legislative Services must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Dirk Kempthorne and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,



Keith L. Johnson
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

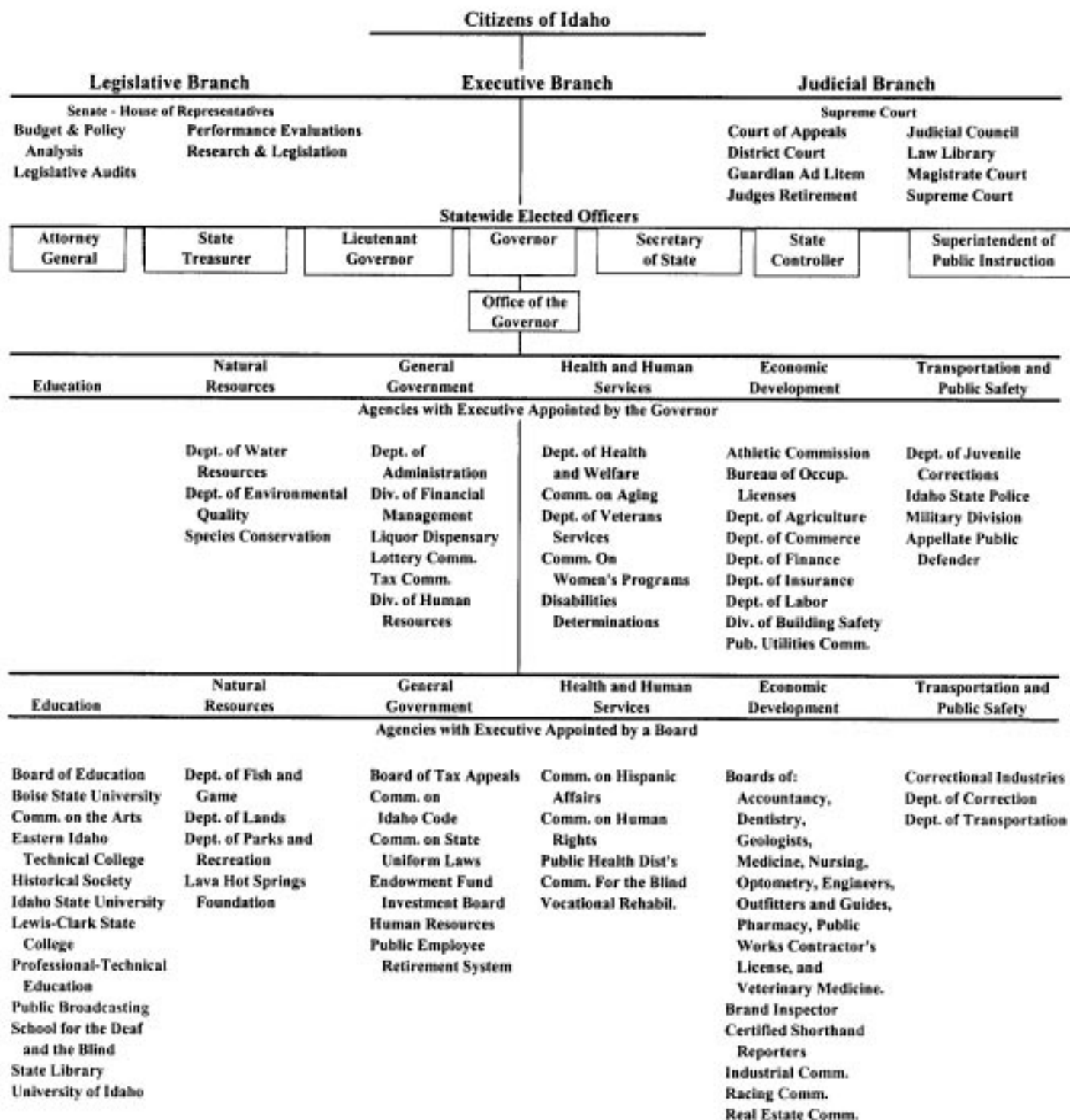


President

Executive Director



2003 Organization Chart
Idaho State Government
 State agencies based on gubernatorial appointment authority



Elected Officials of the State of Idaho



KEITH L. JOHNSON
State Controller



DIRK KEMPTHORNE
Governor



JIM RISCH
Lieutenant Governor



BEN YSURSA
Secretary of State



RON CRANE
State Treasurer



LAWRENCE WASDEN
Attorney General



MARILYN HOWARD
Superintendent of Public Instruction



BRUCE NEWCOMB
Speaker, Idaho House of
Representatives



LINDA COPPLE TROUT
Chief Justice,
Idaho Supreme Court



BOB GEDDES
President, Pro Tempore
Idaho State Senate

Financial Section



Swan Falls Dam
Photo Courtesy of the U.S. Bureau of Land Management

Snake River Dams

In 1900, the Trade Dollar Consolidated Mining and Milling Company built the first hydroelectric dam and power plant on the Snake River at Swan Falls. The plant sent power 28 miles to the Trade Dollar Mine at Silver City, Idaho. Within a few years, the mines dried up and a new demand emerged – irrigation and drainage for farms and communities. By 1912, pumps in southwestern Idaho were lifting water 170 feet directly from the river onto the land. After that, the progress of

irrigated agriculture and power production went hand-in-hand all across southern Idaho. Soon many more hydroelectric plants were constructed. The last dam to be built on the river was by the Idaho Power Company in the 1960s. Today there are 25 diversion and power dams on the main stem of the Snake River. The Snake River irrigates 3.8 million acres of land and produces well over 10 million megawatt hours of electrical power.



Hells Canyon Dam
Photo Courtesy of the Idaho Department of Commerce



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November 28, 2003

Independent Auditor's Report

Honorable Dirk Kempthorne, Governor
Honorable Members of the Legislature
Honorable Keith Johnson, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, University of Idaho, Idaho State University, Boise State University, Lewis and Clark State College, Eastern Idaho Technical College, Idaho Life and Health Insurance Guaranty Association, Petroleum Clean Water Trust Fund, and Idaho Building Authority. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	15.4%	2.2%
Primary Government - Business-Type Activities	68.7%	52.6%
Aggregate Discretely Presented Component Units	100%	100%
 <u>Fund Financial Statements:</u>	 <u>Percent of Assets</u>	 <u>Percent of Revenues</u>
Governmental Funds		
Public School Endowment - Major Fund	100%	100%
Pooled Endowment - Major Fund	100%	100%
Proprietary Funds		
College and Universities - Major Fund	100%	100%
State Lottery - Major Fund	100%	100%
Aggregate Remaining Fund Information	78.1%	15.4%

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Serving Idaho's Citizen Legislature

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit, the Idaho Life and Health Insurance Guaranty Association, were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 12, budgetary comparison schedule and corresponding notes on pages 76 through 78, information about infrastructure assets reported using the modified approach on pages 79 through 80, and information about the retirement funds on page 81, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

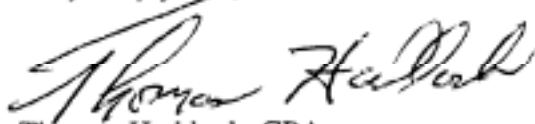
November 28, 2003

Page 3

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have issued our report dated November 28, 2003, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. That report is issued under separate cover in the State's *Single Audit Report*.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Thomas Haddock".

Thomas Haddock, CPA
Legislative Audits

TH/rt

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State exceed its liabilities for the fiscal year ended June 30, 2003, by \$5,974.6 million (reported as net assets). Of this amount, \$355.6 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2003, the State's total net assets increased by \$10.4 million. Net assets of governmental activities increased by \$8.6 million, while net assets of business-type activities increased by \$1.8 million.

Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1,236.8 million, with \$807.1 million reserved for specific purposes and \$429.7 million unreserved. This includes the General Fund's unreserved fund balance of \$170.9 million.

Long-Term Debt

The State's long-term debt increased \$47.2 million during the current fiscal year. The key factor in this increase was the issuance of revenue bonds by the Idaho State Building Authority and the colleges and universities for construction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which comprise the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. They report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). It reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where all or a significant portion of their costs are recovered through user fees and charges to external customers. These activities primarily include colleges and universities, unemployment benefit payments, and lottery ticket sales.

Discretely presented component units are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The discretely presented component units include the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, and permanent funds.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State government. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. Like the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fiduciary fund financial statements.

Additional Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- a budgetary comparison schedule reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements;
- condition and maintenance data regarding the State's infrastructure that is reported using the modified basis; and
- schedules of funding progress and actuarial information in funding the State's obligation to provide pension benefits to certain employees.

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceed liabilities by \$6 billion for the most recent fiscal year. The State's combined net assets increased \$10.4 million over the course of this fiscal year's operations. Net assets of governmental activities increased \$8.6 million, and business-type activities net assets increased \$1.8 million.

Net Assets							
June 30, 2003 and 2002							
(dollars in thousands)							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2003	2002	2003	2002	2003	2002	
			(as restated)		(as restated)		
Current and Other Assets	\$1,778,522	\$1,861,985	\$847,846	\$890,188	\$2,626,368	\$2,752,173	(4.6)%
Capital Assets	3,743,539	3,578,447	648,383	608,847	4,391,922	4,187,294	4.9 %
Total Assets	5,522,061	5,440,432	1,496,229	1,499,035	7,018,290	6,939,467	1.1 %
Long-Term Liabilities	280,735	241,067	301,583	318,326	582,318	559,393	4.1 %
Other Liabilities	372,588	339,215	88,795	76,660	461,383	415,875	10.9 %
Total Liabilities	653,323	580,282	390,378	394,986	1,043,701	975,268	7.0 %
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	3,585,235	3,467,061	418,240	392,358	4,003,475	3,859,419	3.7 %
Restricted	1,042,825	1,098,457	572,682	495,446	1,615,507	1,593,903	1.4 %
Unrestricted	240,678	294,632	114,929	216,245	355,607	510,877	(30.4)%
Total Net Assets	\$4,868,738	\$4,860,150	\$1,105,851	\$1,104,049	\$5,974,589	\$5,964,199	0.2 %

The largest component of the State's net assets (\$4,003.5 million, or 67 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation, and less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 27 percent (\$1,615.5 million). These resources are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining 6 percent (\$355.6 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

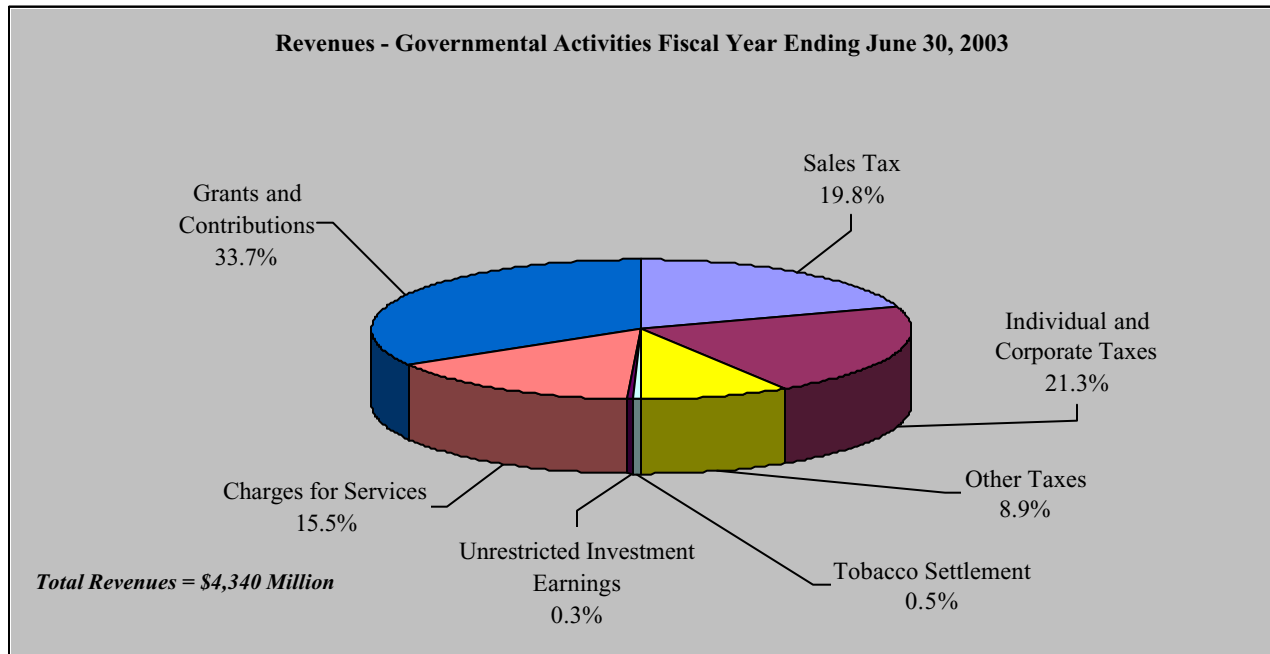
Changes in Net Assets							
for the Fiscal Years Ended June 30, 2003 and 2002							
(dollars in thousands)							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2003	2002	2003	2002	2003	2002	
				(as restated)		(as restated)	
Revenues							
Program Revenues							
Charges for Services	\$672,014	\$618,586	\$555,771	\$566,353	\$1,227,785	\$1,184,939	3.6 %
Operating Grants and Contributions	1,461,507	1,230,063	198,007	174,575	1,659,514	1,404,638	18.1 %
Capital Grants and Contributions	1,882	3,564	22,515	42,488	24,397	46,052	(47.0)%
General Revenues							
Sales Tax	860,527	789,110			860,527	789,110	9.1 %
Individual and Corporate Taxes	922,790	877,594			922,790	877,594	5.1 %
Other Taxes	384,450	364,434			384,450	364,434	5.5 %
Tobacco Settlement	23,772	26,602			23,772	26,602	(10.6)%
Unrestricted Investment Earnings	13,457	21,008			13,457	21,008	(35.9)%
Total Revenues	4,340,399	3,930,961	776,293	783,416	5,116,692	4,714,377	8.5 %
Expenses							
General Government	493,191	486,809			493,191	486,809	1.3 %
Public Safety and Correction	238,050	239,336			238,050	239,336	(0.5)%
Health and Human Services	1,347,997	1,242,566			1,347,997	1,242,566	8.5 %
Education	1,252,020	1,244,006			1,252,020	1,244,006	0.6 %
Economic Development	587,152	577,468			587,152	577,468	1.7 %
Natural Resources	170,761	215,538			170,761	215,538	(20.8)%
Interest Expense	18,911	16,652			18,911	16,652	13.6 %
College and University			667,324	665,908	667,324	665,908	0.2 %
Unemployment Compensation			179,423	182,343	179,423	182,343	(1.6)%
State Lottery			76,310	71,848	76,310	71,848	6.2 %
Nonmajor Enterprise Funds			75,163	72,015	75,163	72,015	4.4 %
Total Expenses	4,108,082	4,022,375	998,220	992,114	5,106,302	5,014,489	1.8 %
Increase (Decrease) in Net							
Assets before Transfers	232,317	(91,414)	(221,927)	(208,698)	10,390	(300,112)	103.5 %
Transfers	(223,729)	(229,245)	223,729	229,245	0	0	0%
Change in Net Assets	8,588	(320,659)	1,802	20,547	10,390	(300,112)	103.5 %
Net Assets, Beginning							
of Year, as Restated	4,860,150	5,180,809	1,104,049	1,083,502	5,964,199	6,264,311	(4.8)%
Net Assets, End of Year	\$4,868,738	\$4,860,150	\$1,105,851	\$1,104,049	\$5,974,589	\$5,964,199	0.2 %

The Total Percent Change column shows the percentage change in operations from fiscal year 2002 to 2003 for each line item. The reader should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (i.e., (47.0)% for Capital Grants and Contributions, \$21,655 million), it may not have as significant affect as a change in a more material line item with a smaller percentage change (i.e., 3.6 % for Charges and Services, \$42,846 million).

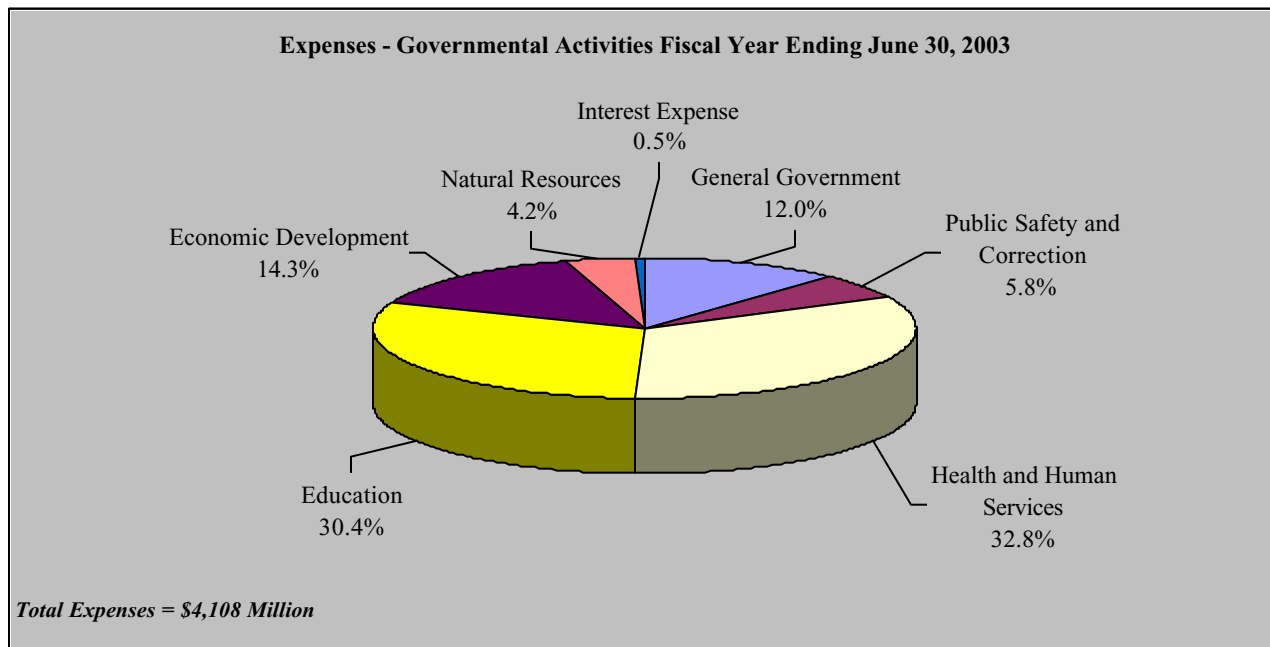
The State's overall financial position improved slightly during the fiscal year, as evidenced by the \$10.4 million increase in net assets. Key elements of this increase include an 18.1 percent increase (\$254.9 million) in operating grants and contributions, which mainly benefited health, transportation, and education. In addition, revenues from sales tax increased 9.1 percent (\$71.4 million) mainly due to increased consumer spending and a one-cent sales tax increase effective May 1, 2003 (from 5 to 6 percent).

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:



The following chart depicts expenses of the governmental activities for the fiscal year:



Business-Type Activities:

Business-type activities increased the State's net assets by \$1.8 million. The largest changes were seen in the following funds:

- College and University net assets increased by \$33.2 million primarily due to increases in federal and private grants (\$25.7 million) and student tuition and fees (\$15.2 million). However, state appropriated general education revenues decreased \$23.7 million due to budget holdbacks and reversions.
- Unemployment Compensation saw a decrease in net assets of \$55.8 million due to the need to use cash reserves to pay the costs of increasing unemployment benefit payments.
- Nonmajor enterprise funds saw an increase in net assets of \$20.5 million primarily due to federal grants received by the State for lending to municipalities to make improvements to wastewater and drinking water systems.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1,236.8 million, a decrease of \$126.3 million in comparison with the prior fiscal year. Of this amount, \$429.7 million (34.7 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance (\$807.1 million) is reserved to indicate that it is not available for new spending because it has already been reserved for various commitments, such as liquidation of purchase orders and contracts of the prior period and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was \$170.9 million and reserved fund balance was \$16.2 million. Total fund balance diminished \$177.4 million (48.7 percent) during the fiscal year, primarily as a result of utilizing cash reserves (\$174.7 million) to help meet the State's current year obligations and balance the General Fund's budget at year end.

Health and Welfare's fund balance improved from 2002's deficit fund balance of \$6.4 million to a positive fund balance of \$.3 million in fiscal year 2003. Although expenditures increased by \$109 million, the majority of which can be attributed to an increase in Medicaid costs, additional revenue was received from federal grants, transfers from the General Fund, and Medicaid receipts, primarily drug rebates and audit settlements.

Nonmajor special revenue fund balances increased by \$49.6 million largely due to bonds and notes (\$64.1 million) issued by the Building Authority for various building projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. These funds are discussed in Business-type Activities, above.

GENERAL FUND BUDGETARY HIGHLIGHTS

A dismal economic picture continued to drive Idaho revenue collections below expectations, forcing the Governor and Fifty-seventh Idaho Legislature to face one of the most challenging fiscal situations in 30 years. Fiscal year 2003 projected revenues were \$1,753 million; however, spending commitments were about \$1,967 million, a difference of \$214 million. The Legislature closed the majority of that gap by transferring all of the State's available cash reserves, which totaled about \$192.8 million, to the General Fund. The remainder of the gap was closed with a one-cent sales tax increase that went into effect May 1, generating about \$13 million for the current year, and by a spending reduction plan that reduced most state agency budgets by 3.5 percent (public schools and higher education were exempt) and saved about \$19.5 million.

The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is \$119 million, a 5.1 percent decrease in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget and actual spending was a favorable \$125 million (or 5.6 percent). This was primarily due to the above Legislative actions and a conservative fiscal policy as a result of the poor economy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the State had \$4,391.9 million (net of accumulated depreciation) invested in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$81.1 million.

Capital Assets as of June 30

(Net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Land	\$858,484	\$850,982	\$27,228	\$24,886	\$885,712	\$875,868
Buildings and Improvements	241,551	233,283	463,575	454,175	705,126	687,458
Improvements Other Than Buildings	18,953	14,498	5,367	5,528	24,320	20,026
Machinery, Equipment, and Other	121,628	113,983	92,704	91,211	214,332	205,194
Infrastructure	2,033,686	1,978,883			2,033,686	1,978,883
Construction in Progress	469,237	386,818	59,509	33,047	528,746	419,865
Total	\$3,743,539	\$3,578,447	\$648,383	\$608,847	\$4,391,922	\$4,187,294

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was \$204.6 million, or 4.9 percent. This year's major additions include \$212.9 million spent for infrastructure assets, which includes construction in progress (\$144.5 million), roadways (\$30.5 million), rights-of-way (\$7.9 million), and bridges and ports of entry (\$30 million).

The State uses the traditional method of depreciation for its 1,648 bridges and 45 rest areas or ports of entry. As allowed by GASB Statement No. 34, the State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,800 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (perfect). A roadway surface is considered very poor under this approach at less than 2.0. The State has consistently improved the assessed condition of road surfaces over the past five years. The State's established condition level is to have no more than 18 percent of road surfaces in poor or very poor condition. The latest condition assessment rating showed that the State had 85 percent of its road surfaces in good or fair condition, up from 82 percent in condition assessment year 2001 and 77 percent in 1997. During fiscal year 2003, the State spent \$78.1 million to maintain Idaho's road surfaces, up from \$57.3 million spent during fiscal year 2002. More detailed information about the State's capital assets is presented in Notes 1 and 5 to the financial statements and in required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution* amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic

created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho.

At fiscal year-end 2003, the State had \$428.1 million in bonds and notes outstanding versus \$380.9 million the prior year, an increase of 12.4 percent. New debt resulted from the University of Idaho, Boise State University, and the Idaho State Building Authority issuing revenue bonds in the amounts of \$17.6 million, \$6.6 million, and \$64.1 million respectively, for various projects.

The credit rating for the State of Idaho did not change during the year. Although the State has no general obligation debt outstanding, Moody's, an investor rating service, has assigned the State an issuer rating of Aa3 with a stable outlook. Moody's top rating is Aaa, bonds rated Aa differ from Aaa only in that the revenue sources for double-A rated bonds are slightly less secure than the revenue sources for triple-A bonds. Per Moody, Idaho's credit quality is based on its expanding and multifaceted economy, cautious financial management, a track record of conservative cash flow projections, and a diverse General Fund tax base. In addition, the State's conservative debt policies have led to modest debt levels, well below that of most states. More detailed information about the State's long-term debt is presented in Notes 1 and 11 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Downturns in the U.S. economy, which began during fiscal year 2001, continued to impact the State during fiscal year 2003. The Legislative session (for fiscal year 2004) was faced with the challenge of replacing \$192.8 million in cash reserves used to support fiscal year 2003. Ultimately the Legislature enacted a combination of selected budget reductions and tax increases. The average budget reduction for most small to medium-sized agencies was 5.7 percent. Those agencies and institutions that received increases were public schools (2.5 percent), higher education (2.1 percent), and Health and Welfare (4.5 percent). Overall, General Fund spending increased 1.8 percent from the original fiscal year 2003 appropriation. In order to support the budget and to protect education and Health and Welfare, the Legislature increased revenues about \$183 million by enacting a one-cent sales tax increase expected to generate about \$160 million and increasing the cigarette tax from 28 cents to 57 cents per pack.

On May 28, 2003, the President signed the *Jobs and Growth Tax Relief Reconciliation Act* which includes \$20 billion in one-time state fiscal relief. Idaho's share is \$85.3 million: \$50 million is in a flexible grant that can be used for essential government services and \$35.3 million is in additional Medicaid matching funds. This money should be available during fiscal year 2004.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller: 700 West State Street, P.O. Box 83720 Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements



Construction of Perrine Bridge, Spanning the Snake River, Circa 1927
Photo Courtesy of the Idaho Historical Society

The Snake River in Idaho's History

The Oregon Trail was the scene of one of the greatest migrations of people in this country's history. Over 50,000 men, women, and children (some historians say as many as 300,000) traveled over the 2,000 mile trail in search of a better life in California or Oregon. History tells us that traveling the Oregon Trail was difficult. At what is now Three Island State Park, pioneers were able to cross the dangerous Snake River using two of the three islands which lay like stepping stones across the river. Upon reaching the Three Island ford, the emigrants had a difficult decision to make. Should they risk the dangerous crossing of the Snake, or endure the dry, rocky route along the south bank of the river? For some the Snake River was an awesome and



Three Island Crossing, Famous Oregon Trail Crossing of the Snake River
Photo Courtesy of the Idaho Historical Society

fearful barrier. Swift dangerous currents made the crossing treacherous. About half of the emigrants chose to attempt the crossing by using the gravel bars that extended across the river. Not all were successful; many casualties are recounted in pioneer diaries. A successful crossing meant reward. A failed attempt meant losing everything—sometimes the lives of their stock and loved ones as most emigrants could not swim. But the majority of pioneers, many times with the help of the Native American guides, did make it across successfully to continued on to Fort Boise and eventually to Oregon City. The advantages of a successful crossing were a shorter route, more potable water, and better feed for the stock.



Shoshone Falls Before Dam Construction
Lithograph Courtesy of the Idaho Historical Society

*State of Idaho***Statement of Net Assets****June 30, 2003**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash Equity with Treasurer	\$397,213,388	\$162,475,943	\$559,689,331
Cash and Cash Equivalents	42,794,300	214,794,256	257,588,556
Investments	824,923,149	229,109,719	1,054,032,868
Accounts Receivable, Net	37,505,110	94,165,114	131,670,224
Taxes Receivable, Net	261,968,201		261,968,201
Internal Balances	62,321	(62,321)	
Due from Other Entities	167,907,964		167,907,964
Due from Primary Government			
Inventory	26,451,428	13,942,051	40,393,479
Loans and Notes Receivable, Net	7,738,636	113,365,623	121,104,259
Other Assets	11,957,520	20,055,405	32,012,925
Capital Assets:			
Nondepreciable	3,022,937,354	86,736,637	3,109,673,991
Depreciable, Net	720,601,990	561,646,513	1,282,248,503
Total Assets	\$5,522,061,361	\$1,496,228,940	\$7,018,290,301
LIABILITIES			
Accounts Payable	\$104,647,503	\$31,750,730	\$136,398,233
Medicaid Payable	115,295,419		115,295,419
Due to Other Entities	8,269		8,269
Due to Component Unit	5,000,000		5,000,000
Deferred Revenue	30,871,293	14,664,192	45,535,485
Deposits	10,300,007	3,454,749	13,754,756
Other Accrued Liabilities	106,466,228	38,924,906	145,391,134
Long-Term Liabilities:			
Due Within One Year	61,054,049	29,323,434	90,377,483
Due in More Than One Year	219,681,071	272,259,471	491,940,542
Total Liabilities	653,323,839	390,377,482	1,043,701,321
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,585,234,696	418,240,211	4,003,474,907
Restricted for:			
Claims and Judgments	15,386,168	20,500,000	35,886,168
Debt Service	46,979,953		46,979,953
Intergovernmental Revenue Sharing	40,817,980		40,817,980
Transportation	112,543,706		112,543,706
Regulatory	39,700,167		39,700,167
Natural Resources and Recreation	68,940,943	173,926,393	242,867,336
Unemployment Compensation		262,833,429	262,833,429
Permanent Trust - Expendable	24,204,768	44,673,230	68,877,998
Permanent Trust - Nonexpendable	641,864,504	70,749,038	712,613,542
Other Purposes	52,386,750		52,386,750
Unrestricted	240,677,887	114,929,157	355,607,044
Total Net Assets	4,868,737,522	1,105,851,458	5,974,588,980
Total Liabilities and Net Assets	\$5,522,061,361	\$1,496,228,940	\$7,018,290,301

The accompanying notes are an integral part of the financial statements.

Component Units	
Petroleum Clean Water Trust Fund	Life and Health Insurance Guaranty
\$4,507,149	\$2,587,543
29,864,903	6,171,154
576,674	
6,000,000	
	87,448
	958
\$40,948,726	\$8,847,103
	\$406,312
	9,363
\$88,369	
2,820,940	23,708
4,938,821	
7,848,130	439,383
	958
33,100,596	8,406,762
33,100,596	8,407,720
\$40,948,726	\$8,847,103

*State of Idaho***Statement of Activities****For the Fiscal Year Ended June 30, 2003**

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$493,191,053	\$250,064,817	\$36,102,723	
Public Safety and Correction	238,050,221	21,393,710	14,860,517	
Health and Human Services	1,347,996,904	71,930,434	908,191,521	
Education	1,252,019,765	9,549,727	156,366,065	
Economic Development	587,151,918	197,040,584	283,018,472	\$1,817,959
Natural Resources	170,760,690	122,034,301	62,967,413	64,320
Interest Expense	18,911,146			
Total Governmental Activities	4,108,081,697	672,013,573	1,461,506,711	1,882,279
Business-Type Activities				
College and University	667,323,865	243,291,846	183,991,297	22,514,859
Unemployment Compensation	179,422,854	124,378,941	2,822,436	
State Lottery	76,309,758	98,266,882		
Nonmajor Enterprise Funds	75,163,315	89,833,460	11,192,807	
Total Business-Type Activities	998,219,792	555,771,129	198,006,540	22,514,859
Total Primary Government	\$5,106,301,489	\$1,227,784,702	\$1,659,513,251	\$24,397,138
Component Units				
Petroleum Clean Water Trust Fund	\$3,542,624	\$3,518,352		
Life and Health Insurance Guaranty	631,406	923,198		
Total Component Units	\$4,174,030	\$4,441,550		

General Revenues

Sales Tax
Individual and Corporate Taxes
Other Taxes
Tobacco Settlement
Unrestricted Investment Earnings

Transfers**Total General Revenues and Transfers****Change in Net Assets****Net Assets - Beginning of Year, as Restated****Net Assets - End of Year**

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Petroleum Clean Water Trust Fund	Life and Health Insurance Guaranty
(\$207,023,513)		(\$207,023,513)		
(201,795,994)		(201,795,994)		
(367,874,949)		(367,874,949)		
(1,086,103,973)		(1,086,103,973)		
(105,274,903)		(105,274,903)		
14,305,344		14,305,344		
(18,911,146)		(18,911,146)		
(1,972,679,134)		(1,972,679,134)		
	(\$217,525,863)	(217,525,863)		
	(52,221,477)	(52,221,477)		
	21,957,124	21,957,124		
	25,862,952	25,862,952		
	(221,927,264)	(221,927,264)		
(1,972,679,134)	(221,927,264)	(2,194,606,398)		
			(\$24,272)	
				\$291,792
			(24,272)	291,792
860,526,547		860,526,547		
922,790,055		922,790,055		
384,449,748		384,449,748		
23,772,414		23,772,414		
13,456,972		13,456,972		
(223,729,378)	223,729,378			
1,981,266,358	223,729,378	2,204,995,736		
8,587,224	1,802,114	10,389,338	(24,272)	291,792
4,860,150,298	1,104,049,344	5,964,199,642	33,124,868	8,115,928
\$4,868,737,522	\$1,105,851,458	\$5,974,588,980	\$33,100,596	\$8,407,720



MAJOR GOVERNMENTAL FUNDS account for the State's operating and financing activities. The following provides a brief description of the major governmental funds.

The GENERAL FUND accounts for all financial resources except those required to be accounted for in other funds.

The HEALTH AND WELFARE FUND accounts for revenues and expenditures associated with administering public assistance, medical care, foster care, child support enforcement, and other relief to the eligible citizens of Idaho. Funding is provided from the General Fund, federal grants, dedicated user fees, and various other sources.

The TRANSPORTATION FUND accounts for revenues and expenditures associated with highway construction and maintenance. Funding is provided from motor vehicle related taxes and user fees, as well as various federal highway administration funds.

The PUBLIC SCHOOL ENDOWMENT FUND accounts for lands granted to the State by the federal government, known as public school endowment land, and the sale or lease of such lands. The principal in the fund is perpetual with the earnings used to support education.

The POOLED ENDOWMENT FUND accounts for the administration and investment of monies held for the benefit of certain State of Idaho institutions.

Nonmajor Governmental Funds are discussed on page 85.

*State of Idaho***Balance Sheet****Governmental Funds****June 30, 2003**

	General	Health and Welfare
ASSETS		
Cash Equity with Treasurer	\$89,132,256	\$12,184,366
Cash and Cash Equivalents	592,032	3,902,670
Investments	10,658,648	907,572
Accounts Receivable, Net	599,636	9,025,589
Taxes Receivable, Net	235,525,336	189,352
Due from/Advance to Other Funds	3,724,352	37,000
Due from Other Entities		121,728,618
Inventory	3,486,259	726,057
Loans and Notes Receivable, Net	3,190	
Other Assets	1,010,962	2,670,147
Total Assets	\$344,732,671	\$151,371,371
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$13,270,963	\$16,175,887
Medicaid Payable		115,295,419
Due to/Advance from Other Funds	737,989	1,804,914
Due to Other Entities		
Due to Component Unit		
Deferred Revenue	88,844,988	5,144,831
Deposits	180,253	2,994,845
Other Accrued Liabilities	54,515,755	9,654,160
Total Liabilities	157,549,948	151,070,056
Fund Balances		
Reserved for:		
Bond Retirement		
Encumbrances	11,583,248	6,083,432
Inventory and Prepaid Items	4,304,058	3,381,694
Advances/Loans and Notes Receivable	301,499	
Permanent Trusts		
Other Purposes	59,301	1,545,138
Unreserved, Reported in:		
General Fund	170,934,617	
Special Revenue Funds		(10,708,949)
Permanent Funds		
Total Fund Balances	187,182,723	301,315
Total Liabilities and Fund Balances	\$344,732,671	\$151,371,371

The accompanying notes are an integral part of the financial statements.

Transportation	Public School Endowment	Pooled Endowment	Nonmajor Special Revenue	Total
\$68,315,773	\$83,321	\$761,048	\$166,355,122	\$336,831,886
2,465,896	10,579,525	4,642,137	35,447,558	57,629,818
51,637,845	436,388,840	205,374,627	85,529,795	790,497,327
3,523,736	12,744,950	5,506,638	5,808,905	37,209,454
22,913,558			3,339,955	261,968,201
38,351	262,680		1,484,295	5,546,678
24,235,580			21,943,766	167,907,964
14,137,171			7,399,468	25,748,955
			7,735,446	7,738,636
1,257,888	976,433	464,230	2,867,320	9,246,980
\$188,525,798	\$461,035,749	\$216,748,680	\$337,911,630	\$1,700,325,899
\$52,353,231	\$5,798,798	\$2,757,334	\$14,095,424	\$104,451,637
				115,295,419
465,083		271,436	2,831,825	6,111,247
			8,269	8,269
5,000,000				5,000,000
8,500,542			16,461,649	118,952,010
782,559			6,342,350	10,300,007
8,880,677	15,400,000		14,956,003	103,406,595
75,982,092	21,198,798	3,028,770	54,695,520	463,525,184
			46,979,953	46,979,953
14,818,643			13,971,763	46,457,086
14,562,775	132,211	64,640	9,214,388	31,659,766
			8,870,376	9,171,875
	439,644,593	213,655,270		653,299,863
			17,966,585	19,571,024
				170,934,617
83,162,288			186,213,045	258,666,384
	60,147			60,147
112,543,706	439,836,951	213,719,910	283,216,110	1,236,800,715
\$188,525,798	\$461,035,749	\$216,748,680	\$337,911,630	\$1,700,325,899



State of Idaho

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2003**

Total Fund Balances - Governmental Funds \$1,236,800,715

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Land	\$858,484,143	
Buildings and Improvements	430,494,788	
Improvements Other Than Buildings	26,674,754	
Machinery, Equipment, and Other	273,972,005	
Infrastructure	2,146,478,847	
Construction in Progress	469,178,139	
Accumulated Depreciation	<u>(464,751,819)</u>	
Total Capital Assets		3,740,530,857

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds. 96,478,812

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 35,751,071

Bonds issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets. 1,672,038

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

Capital Leases Payable	(3,418,615)	
Compensated Absences Payable	(39,488,744)	
Bonds and Notes Payable	(153,624,159)	
Accrued Interest on Bonds	(2,372,216)	
Claims and Judgments	(43,467,957)	
Other Long-Term Liabilities	(124,280)	
Total Long-Term Liabilities	<u>(242,495,971)</u>	(242,495,971)

Net Assets - Governmental Activities \$4,868,737,522

State of Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Health and Welfare	Transportation	Public School Endowment
REVENUES				
Sales Tax	\$859,664,077		\$98	
Individual and Corporate Taxes	904,204,001			
Other Taxes	46,129,688	\$1,768,986	222,874,932	
Licenses, Permits, and Fees	23,141,848	4,113,251	101,352,117	
Sale of Goods and Services	13,965,038	68,831,767	7,001,126	\$35,856,043
Grants and Contributions	2,306,870	908,264,964	209,468,092	
Investment Income	19,455,738	218,027	7,633,128	7,668,470
Tobacco Settlement	23,772,414			
Other Income	48,955,425	1,052,166	6,369,684	957,565
Total Revenues	1,941,595,099	984,249,161	554,699,177	44,482,078
EXPENDITURES				
General Government	234,036,119			
Public Safety and Correction	177,196,716			
Health and Human Services	18,327,638	1,326,012,867		
Education	1,083,444,873			
Economic Development	21,075,463		263,650,955	
Natural Resources	24,013,122			11,948,402
Capital Outlay	97,469,041	2,484,664	271,434,859	
Total Expenditures	1,655,562,972	1,328,497,531	535,085,814	11,948,402
Revenues Over (Under) Expenditures	286,032,127	(344,248,370)	19,613,363	32,533,676
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Transfers In	139,069,368	351,058,200		
Transfers Out	(602,503,943)	(62,868)	(14,535,997)	(37,056,500)
Total Other Financing Sources (Uses)	(463,434,575)	350,995,332	(14,535,997)	(37,056,500)
Net Change in Fund Balances	(177,402,448)	6,746,962	5,077,366	(4,522,824)
Fund Balances - Beginning of Year	364,585,171	(6,445,647)	107,466,340	444,359,775
Fund Balances - End of Year	\$187,182,723	\$301,315	\$112,543,706	\$439,836,951

The accompanying notes are an integral part of the financial statements.

Pooled	Nonmajor	
Endowment	Special Revenue	Total
	\$4,844,831	\$864,509,006
		904,204,001
	117,046,338	387,819,944
	101,991,344	230,598,560
\$15,646,066	39,748,552	181,048,592
	327,533,909	1,447,573,835
3,882,695	10,823,348	49,681,406
		23,772,414
296,199	21,402,317	79,033,356
19,824,960	623,390,639	4,168,241,114
	60,930,078	294,966,197
	50,314,382	227,511,098
		1,344,340,505
	164,385,542	1,247,830,415
	175,342,713	460,069,131
5,649,262	121,546,777	163,157,563
	29,890,669	401,279,233
5,649,262	602,410,161	4,139,154,142
14,175,698	20,980,478	29,086,972
	64,145,000	64,145,000
	(763,523)	(763,523)
	35,325,822	525,453,390
(19,925,000)	(70,098,460)	(744,182,768)
(19,925,000)	28,608,839	(155,347,901)
(5,749,302)	49,589,317	(126,260,929)
219,469,212	233,626,793	1,363,061,644
\$213,719,910	\$283,216,110	\$1,236,800,715

State of Idaho

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances -- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Governmental Funds			(\$126,260,929)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:			
Capital Outlay	\$201,857,858		
Depreciation Expense	(38,733,014)		
		<u>163,124,844</u>	
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.			2,702,635
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.			8,271,569
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year, the following proceeds were received:			
Bond Proceeds	(64,145,000)		
Discount on Bonds Issued	763,523		
		<u>(63,381,477)</u>	
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:			
Capital Leases	239,632		
Bond Principal	15,810,000		
Bond Issue Costs	1,396,109		
		<u>17,445,741</u>	
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current year, these amounts consist of:			
Accrued Interest	(846,216)		
Compensated Absences	487,534		
Other Long-Term Liabilities	6,108,052		
		<u>5,749,370</u>	
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.			<u>935,471</u>
Change in Net Assets - Governmental Activities			<u><u>\$8,587,224</u></u>

The accompanying notes are an integral part of the financial statements.

MAJOR PROPRIETARY FUNDS account for the operations of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the major proprietary funds.

The COLLEGE AND UNIVERSITY FUND accounts for the financial position and operations of the State's colleges and universities.

The UNEMPLOYMENT COMPENSATION FUND pays unemployment claims to eligible recipients and is funded through employer contributions, employer reimbursements, and federal grants.

The STATE LOTTERY was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, ensure its integrity, and to maximize the net income of the lottery for the benefit of the State. Annually the State Lottery's surplus net income is distributed evenly between state buildings and public schools.

Nonmajor Enterprise Funds are discussed on page 99.

State of Idaho

**Statement of Net Assets
Proprietary Funds
June 30, 2003**

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	State Lottery	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash Equity with Treasurer	\$29,804,191	\$3,534,769	\$20,630,424	\$11,702,046
Cash and Cash Equivalents	72,870,475	141,789,930	133,651	200
Investments	6,150,770	8,540,938		
Accounts Receivable, Net	52,046,134	39,576,085	1,869,463	673,432
Due from Other Funds	2,821,971			325,034
Inventory	4,344,849		931,616	8,665,586
Loans and Notes Receivable, Net	4,324,920			3,950,257
Other Current Assets	1,797,281	1,331,319	231,279	1,468,061
Total Current Assets	174,160,591	194,773,041	23,796,433	26,784,616
Noncurrent Assets				
Restricted Cash and Cash Equivalents	16,747,380			80,057,133
Investments	137,931,079	74,040,921	2,446,011	
Loans and Notes Receivable, Net	19,135,396			85,955,050
Other Long-Term Assets	15,227,465			
Capital Assets, Net	636,951,368		1,936,405	9,495,377
Total Noncurrent Assets	825,992,688	74,040,921	4,382,416	175,507,560
Total Assets	\$1,000,153,279	\$268,813,962	\$28,178,849	\$202,292,176
LIABILITIES				
Current Liabilities				
Accounts Payable	\$17,628,483	\$5,765,186	\$1,591,037	\$6,766,024
Due to Other Funds	3,174,939			34,387
Deferred Revenue	14,448,845	215,347		
Deposits	3,454,749			
Other Accrued Liabilities	35,531,669		2,060,791	1,332,446
Capital Leases Payable	748,903			
Compensated Absences Payable	19,459,031		190,965	559,640
Bonds and Notes Payable	8,304,895			60,000
Policy Claim Liabilities				
Total Current Liabilities	102,751,514	5,980,533	3,842,793	8,752,497
Noncurrent Liabilities				
Capital Leases Payable	5,715,426			
Bonds and Notes Payable	261,679,045			4,865,000
Policy Claim Liabilities				
Total Noncurrent Liabilities	267,394,471			4,865,000
Total Liabilities	370,145,985	5,980,533	3,842,793	13,617,497
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	411,733,429		1,936,405	4,570,377
Restricted for:				
Claims and Judgments			20,500,000	
Environmental Loans				173,926,393
Unemployment Compensation		262,833,429		
Permanent Trust-Expendable	44,673,230			
Permanent Trust-Nonexpendable	70,749,038			
Unrestricted	102,851,597		1,899,651	10,177,909
Total Net Assets	630,007,294	262,833,429	24,336,056	188,674,679
Total Liabilities and Net Assets	\$1,000,153,279	\$268,813,962	\$28,178,849	\$202,292,176

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
\$65,671,430	\$43,900,447
214,794,256	1,645,537
14,691,708	2,377,938
94,165,114	295,656
3,147,005	649,623
13,942,051	702,473
8,275,177	
4,827,940	1,038,502
419,514,681	50,610,176
96,804,513	
214,418,011	32,047,884
105,090,446	
15,227,465	
648,383,150	3,008,487
1,079,923,585	35,056,371
\$1,499,438,266	\$85,666,547
\$31,750,730	\$195,866
3,209,326	22,733
14,664,192	8,398,095
3,454,749	
38,924,906	687,417
748,903	142,124
20,209,636	624,345
8,364,895	
	6,710,638
121,327,337	16,781,218
5,715,426	415,657
266,544,045	
	32,718,601
272,259,471	33,134,258
393,586,808	49,915,476
418,240,211	2,450,706
20,500,000	15,386,168
173,926,393	
262,833,429	
44,673,230	
70,749,038	
114,929,157	17,914,197
1,105,851,458	35,751,071
\$1,499,438,266	\$85,666,547

State of Idaho

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2003

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	State Lottery	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$109,380,797		
Licenses, Permits, and Fees (net scholarship allowances of \$42,096,802)	\$106,112,096			\$40,471
Student Fees Pledged for Revenue Bonds	36,577,678			
Sale of Goods and Services	43,589,496		\$98,168,854	86,020,736
Sale of Goods and Services Pledged for Revenue Bonds	31,287,955			409,093
Grants and Contributions	164,617,917	2,822,436		11,192,807
Other Income	12,411,413			17,053
Total Operating Revenues	394,596,555	112,203,233	98,168,854	97,680,160
OPERATING EXPENSES				
Personnel Costs	410,844,907		2,294,341	8,340,130
Services and Supplies	152,957,617		15,352,088	49,122,246
Benefits, Awards, and Premiums	39,670,037	179,422,854	56,585,331	
Depreciation	39,029,756		1,604,891	457,658
Other Expenses	11,678,890		473,107	15,979,690
Total Operating Expenses	654,181,207	179,422,854	76,309,758	73,899,724
Operating Income (Loss)	(259,584,652)	(67,219,621)	21,859,096	23,780,436
NONOPERATING REVENUES (EXPENSES)				
Gifts	19,373,380			
Investment Income	13,313,208	14,996,131	98,028	3,344,486
Interest Expense	(12,261,873)			(735,586)
Other Nonoperating Revenues (Expenses)	(880,785)	2,013		(526,384)
Total Nonoperating Revenues (Expenses)	19,543,930	14,998,144	98,028	2,082,516
Income (Loss) Before Contributions and Transfers	(240,040,722)	(52,221,477)	21,957,124	25,862,952
Transfers				
Capital Contributions	22,514,859			
Transfers In	250,750,014			2,900,000
Transfers Out		(3,625,636)	(18,000,000)	(8,295,000)
Change in Net Assets	33,224,151	(55,847,113)	3,957,124	20,467,952
Total Net Assets - Beginning of Year, as Restated	596,783,143	318,680,542	20,378,932	168,206,727
Total Net Assets - End of Year	\$630,007,294	\$262,833,429	\$24,336,056	\$188,674,679

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
\$109,380,797	
106,152,567	
36,577,678	
227,779,086	\$154,965,967
31,697,048	
178,633,160	36,081
12,428,466	24,046
702,648,802	155,026,094
421,479,378	10,938,884
217,431,951	15,028,372
275,678,222	125,140,056
41,092,305	1,250,998
28,131,687	1,902,893
983,813,543	154,261,203
(281,164,741)	764,891
19,373,380	
31,751,853	5,197,523
(12,997,459)	(34,567)
(1,405,156)	7,624
36,722,618	5,170,580
(244,442,123)	5,935,471
22,514,859	
253,650,014	
(29,920,636)	(5,000,000)
1,802,114	935,471
1,104,049,344	34,815,600
\$1,105,851,458	\$35,751,071

State of Idaho

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003**

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$109,943,335
Receipts from Customers	\$209,056,053	2,138,872
Receipts from Other Funds	25,690,796	
Receipts from Grants and Contributions	166,857,570	2,822,436
Payments to Suppliers	(148,984,035)	
Payments to Employees for Services	(408,466,735)	
Payments to Other Funds	(32,917,095)	
Payments for Benefits, Awards, and Claims	(34,211,629)	(181,638,644)
Other Receipts (Payments)	2,669,841	
Net Cash Provided (Used) by Operating Activities	(220,305,234)	(66,734,001)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	20,597,408	
Transfers In	250,750,014	
Transfers Out		(3,625,636)
Agency Funds Received	188,297,876	
Agency Funds Disbursed	(187,642,518)	
Interest Paid		
Other Receipts (Payments)	(215,022)	
Net Cash Provided (Used) by Noncapital Financing Activities	271,787,758	(3,625,636)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	14,263,429	
Bonds Issued	26,259,855	
Payment of Bonds	(40,082,357)	
Capital Lease Payments	(2,123,601)	
Proceeds from Disposition of Capital Assets	219,821	2,013
Acquisition and Construction of Capital Assets	(69,451,418)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(70,914,271)	2,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	12,013,129	12,251,187
Purchase of Investments	(127,670,615)	
Redemption of Investments	163,410,233	
Net Cash Provided (Used) by Investing Activities	47,752,747	12,251,187
Net Increase (Decrease) in Cash and Cash Equivalents	28,321,000	(58,106,437)
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	91,101,046	203,431,136
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	\$119,422,046	\$145,324,699
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$259,584,652)	(\$67,219,621)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	39,029,756	
Maintenance Costs Paid by Dept. of Public Works	1,500,543	
Investments		841,391
Net Changes in Assets and Liabilities:		
Accounts Receivable/Due from Other Funds	(5,523,386)	(1,354,793)
Inventory	418,103	
Notes Receivable	(40,183)	
Other Current Assets	175,954	936,399
Accounts Payable/Due to Other Funds	(1,009,848)	(152,724)
Deferred Revenue	2,811,453	215,347
Compensated Absences	1,767,200	
Policy Claim Liabilities		
Other Accrued Liabilities	149,826	
Net Cash Provided (Used) by Operating Activities	(\$220,305,234)	(\$66,734,001)

Noncash Transactions:

Noncash Transactions: Investments increased in fair value by \$1,393,682 for Colleges, \$2,565,372 for Unemployment Compensation, and \$1,064,181 for internal service funds. Capital assets were donated to Colleges in the amount of \$5,127,007. Capital assets were disposed at a loss of \$1,095,461 for Colleges and \$528,005 for nonmajor enterprise funds.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
State Lottery	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$109,943,335	
\$97,079,927	\$99,137,193	407,412,045	\$27,519,817
	4,616,438	30,307,234	129,403,223
	11,197,322	180,877,328	36,081
(15,371,380)	(69,192,484)	(233,547,899)	(15,506,695)
(2,266,696)	(8,359,044)	(419,092,475)	(10,952,032)
	(1,167,063)	(34,084,158)	(1,536,166)
(56,390,973)		(272,241,246)	(127,429,265)
	(13,525,405)	(10,855,564)	254,401
23,050,878	22,706,957	(241,281,400)	1,789,364
		20,597,408	
	2,900,000	253,650,014	
(18,000,000)	(8,295,000)	(29,920,636)	(5,000,000)
		188,297,876	
		(187,642,518)	
	(369,093)	(369,093)	(31,297)
		(215,022)	
(18,000,000)	(5,764,093)	244,398,029	(5,031,297)
		14,263,429	
		26,259,855	
(450,123)		(40,082,357)	
		(2,573,724)	(339,483)
	1,621	223,455	7,600
(241,389)	(2,601,128)	(72,293,935)	28,096
(691,512)	(2,599,507)	(74,203,277)	(303,787)
(34,844)	3,344,486	27,573,958	3,956,727
		(127,670,615)	(1,699,004)
		163,410,233	300,000
(34,844)	3,344,486	63,313,576	2,557,723
4,324,522	17,687,843	(7,773,072)	(987,997)
16,439,553	74,071,536	385,043,271	46,533,981
\$20,764,075	\$91,759,379	\$377,270,199	\$45,545,984
\$21,859,096	\$23,780,436	(\$281,164,741)	\$764,891
1,604,891	457,658	41,092,305	1,250,998
		1,500,543	
	(366,495)	474,896	494,967
(1,088,927)	(269,751)	(8,236,857)	274,936
(137,454)	(252,131)	28,518	53,753
	(3,571,577)	(3,611,760)	
(81,621)	467,073	1,497,805	686,852
672,890	2,248,149	1,758,467	(1,253,999)
	(39,353)	2,987,447	782,974
13,713	61,383	1,842,296	(34,850)
			(1,215,378)
208,290	191,565	549,681	(15,780)
\$23,050,878	\$22,706,957	(\$241,281,400)	\$1,789,364



FIDUCIARY FUNDS account for assets held by the State acting in the capacity as trustee. The following provides a brief description of the State's fiduciary funds.

The **PENSION TRUST FUNDS** account for transactions, assets, liabilities, and net assets available for plan benefits of the State's retirement systems.

The **JOINT EXERCISE OF POWERS** is an investment trust fund that accounts for the investments

managed by the State's Treasurer's Office for external participants.

The **COLLEGE SAVINGS PRIVATE-PURPOSE TRUST FUND** accounts for the activities of the IDeal Idaho College Savings Program, which helps individuals save for higher education.

Agency Funds are discussed on page 113.

*State of Idaho***Statement of Fiduciary Net Assets****Fiduciary Funds****June 30, 2003**

	Pension Trust	Joint Exercise of Powers Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash Equity with Treasurer	\$4,875,952	\$337,670,557		\$6,022,496
Cash and Cash Equivalents	129,637		\$1,331,095	1,275,135
Investments:				
Pooled Short Term	223,245,407			
Fixed Income Investments	1,610,923,896	330,147,146		160,159,849
Marketable Securities	4,423,447,757			
Mutual Funds and Private Equities	240,508,357		18,586,850	
Mortgages and Real Estate	332,075,818	641,768,175		
Other Investments			6,394,802	8,631,612
Receivables:				
Investments Sold	423,823,952		745	
Contributions	6,395,446			
Interest and Dividends	28,556,364	181,477	45,248	137,686
Other Receivables	1,373,502		74,626	
Other Assets	23,368,629			
Capital Assets, Net	5,969,402			
Total Assets	7,324,694,119	1,309,767,355	26,433,366	176,226,778
LIABILITIES				
Accounts Payable	1,561,712		16,680	
Due to Other Entities				353,798
Deposits				174,617,285
Investments Purchased	528,243,843		21,584	
Other Accrued Liabilities	4,890,504	970,781	31,615	1,255,695
Total Liabilities	534,696,059	970,781	69,879	\$176,226,778
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	6,649,675,737			
Postemployment Healthcare Benefits	140,322,323			
External Investment Pool Participants		1,308,796,574		
Trust Beneficiaries			26,363,487	
Total Net Assets	\$6,789,998,060	\$1,308,796,574	\$26,363,487	

The accompanying notes are an integral part of the financial statements.

State of Idaho

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	Pension Trust	Joint Exercise of Powers Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	\$146,109,350		
Employer	217,910,780		
Transfers In from Other Plans	2,062,334		
Participant Deposits		\$2,548,653,902	\$15,582,241
Total Contributions	366,082,464	2,548,653,902	15,582,241
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	40,104,905	(10,317,891)	653,478
Interest, Dividends, and Other	214,069,634	46,895,631	543,979
Less: Investment Expense	(25,417,026)	(219,679)	
Net Investment Income	228,757,513	36,358,061	1,197,457
Miscellaneous Income	1,674,877		
Total Additions	596,514,854	2,585,011,963	16,779,698
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	319,149,476		
Transfers Out to Other Plans	1,555,049		
Administrative Expense	6,654,068		97,968
Earnings Distribution		39,507,872	
Participant Withdrawals		2,437,645,301	2,625,806
Total Deductions	327,358,593	2,477,153,173	2,723,774
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	252,929,208		
Employee Postemployment Healthcare Benefits	16,227,053		
External Investment Pool Participants		107,858,790	
Trust Beneficiaries			14,055,924
Net Assets - Beginning of Year, as Restated	6,520,841,799	1,200,937,784	12,307,563
Net Assets - End of Year	\$6,789,998,060	\$1,308,796,574	\$26,363,487

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting principles.

The financial statements are presented as of and for the year ended June 30, 2003, except for the State Bar (presented in the Regulatory special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2002; the Idaho Dairy Products Commission (presented in the Agriculture and Natural Resources special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2002; the Idaho Potato Commission (presented in the Agriculture and Natural Resources special revenue fund) whose statements are as of and for the year ended August 31, 2003; the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association (discretely presented component units) whose financial statements are as of and for the year ended December 31, 2002.

A. Reporting Entity

The State of Idaho is governed under the constitution of 1890, as amended. The legislative power is vested in a 35-member senate and a 70-member house of representatives; executive power is vested in the governor; and the judicial power is vested in a supreme court, court of appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. The State also considered potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB Statement No. 14 (as amended by GASB Statement No. 39), *The Financial Reporting Entity*, financial accountability exists, generally if either the State appoints a voting majority of the organization's governing board and (1) the State is able to impose its will on the organization, or (2) if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

Idaho State Building Authority. The Idaho State Building Authority was created by *Idaho Code*, Title 67, Chapter 64, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. GASB Statement No. 14 requires the Idaho State Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies entirely on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

Life and Health Insurance Guaranty. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. The Board members are selected by member insurers; however, the director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

Petroleum Clean Water Trust Fund. The Petroleum Clean Water Trust Fund (PCWTF) was created by the Idaho Legislature in *Idaho Code*, Title 41, Chapter 49, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The PCWTF is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves and may modify the PCWTF's annual budget and thereby has the ability to impose its will on the PCWTF. The PCWTF is presented discretely as an enterprise fund.

Complete financial statements for the component units may be obtained from their respective administrative offices, as follows:

Idaho State Building Authority
P.O. Box 2802
Boise, ID 83701

Idaho Life and Health Insurance Guaranty Association
P.O. Box 7367
Boise, ID 83707

Petroleum Clean Water Trust Fund
P.O. Box 83720
Boise, ID 83720-0044

Related Organizations

State Insurance Fund. The State Insurance Fund was created by *Idaho Code*, Title 72, Chapter 9. Board members are appointed by the Governor, but there is no ability for the State to impose its will on the organization and there is no financial benefit/burden relationship. Therefore, the State Insurance Fund is considered a related organization of the State of Idaho.

Idaho Housing and Finance Association. The Idaho Housing and Finance Association (IHFA) was created by *Idaho Code*, Title 67, Chapter 62. Board members are appointed by the Governor, but there is no ability for the State to impose its will on the organization and there is no significant financial benefit/burden relationship. Therefore, the IHFA is considered a related organization of the State of Idaho.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between

governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

Statement of Net Assets

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when constraints placed on net assets use are imposed by third parties, through constitutional provisions, or enabling legislation. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances will fluctuate as related accounting transactions occur.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, but they can be unilaterally removed.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues display the extent to which programs are self-funded. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

Fund Statements

The financial activities of the State are recorded in individual funds to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include phone billings, federal grant pass-throughs from one state agency to another, and the allocation of central human resource costs to all agencies.

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column (on the combined fund statements). The nonmajor funds are displayed individually in combining schedules.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education (other than those reported in the university funds), economic development, and natural resources. The *General Fund* includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for highway construction and maintenance.

The *Public School Endowment* and *Pooled Endowment* funds account for land grants and the sale or lease of such lands received from the federal *Enabling Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *State Lottery* fund accounts for the operations of the State's lottery.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special Revenue Funds account for financial resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used.

Proprietary Fund Types

Enterprise Funds account for governmental operations that function in a manner similar to private business enterprises where the intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds account for a variety of independent operations that render services and/or provide goods to other state agencies or governmental units on a cost-reimbursement basis. Internal Service fund activities of the State include: property, liability, and other types of insurance; data processing services; and other services (such as facilities rentals).

Operating and nonoperating revenues and expenses are presented separately on the operating statements and statements of cash flows. Operating transactions

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Types

Pension Trust Funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefits.

The Investment Trust Fund accounts for the investments related to external participants in the Joint Exercise of Powers trust fund.

Agency Funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries.

The Private Purpose Trust Fund accounts for the fiduciary activities of the government that are not appropriately accounted for as pension or investment trust funds. Idaho's private purpose trust fund accounts for the activities of the IDEAL Idaho College Savings Program in which the principal and interest benefit individuals.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the governmental-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales taxes, individual and corporate taxes, motor fuels taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Business-type activities and enterprise funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, are required to apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. In addition, business-type activities and enterprise funds may apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The State has elected not to follow FASB pronouncements issued after November 30, 1989, for business-type activities and enterprise funds.

D. Budgeting and Budgetary Control

Budget Policies and Procedures

Budgets are adopted in accordance with *Idaho Code*, Title 67, Chapters 35 and 36. In September of each year, State agencies submit requests for appropriations to the Governor's Office, Division of Financial Management, so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is generally

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional (positive supplemental) appropriations for the current year, which may be granted under authority of the Legislature. If it is anticipated expenditures may exceed available cash, the State Board of Examiners may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority. When this occurs, it is recorded in the accounting system as a negative supplemental appropriation. Net supplemental appropriations made during the year totaled a negative \$94,833,722.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The Board of Examiners must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The Division of Financial Management and the Board of Examiners must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720-0011, or may be viewed online at www.sco.state.id.us (look under "Accounting Information," and then "Financial Reports and Financial Information").

Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received may be recorded to reserve that portion of the applicable fund balance. Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with the approval of the Division of Financial Management.

E. Assets and Liabilities

Cash Equity with Treasurer

Cash balances of most funds are deposited with the State Treasurer. Balances not required to meet immediate needs are pooled in an internal investment pool for short-term investment and that pool is reflected on the line titled Cash Equity with Treasurer. *Idaho Code*, Sections 67-1210 and 67-1210A, governs investment policies of the State Treasurer.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts, petty cash, and short-term investments. Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

Investments

The State Treasurer handles investments of state funds and funds of other qualified entities within the State, in accordance with *Idaho Code*, Title 67, Chapter 12. Allowable investments consist of investment grade (“A” rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State reports certain investments at fair value rather than at cost. The external portion of the State’s external investment pool is reported in an investment trust fund at fair value.

The Public Employee Retirement System of Idaho, the Judges Retirement Fund, and the Endowment and Capitol Permanent Endowment Funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514 of the *Idaho Code*.

The State held mortgage-backed securities (derivative like financial instruments) as part of its Long-Term Investment account. The securities were held to optimize investment yields. These securities are reported at fair market value on the balance sheet (see Note 2). The exposure associated with these securities is considered minimal. Agency pass-through securities are considered above AAA quality bonds as they are issued by quasi-government organizations. Legal risks are negligible.

Receivables, Net

Receivables in the General Fund consist primarily of sales and income taxes. Special revenue fund receivables consist primarily of public assistance and gas taxes. Proprietary fund receivables occur as part of the ordinary course of business. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

Internal Balances

Due from/to other funds consist of short-term receivables and payables for activities occurring between individual funds within the State for goods provided or services rendered. Advances to/from other funds consist of long-term interfund loans. See Note 4 for interfund activity schedules.

Interfund receivables and payables balances and activity have been eliminated from the Statement of Net Assets and the Statement of Activities, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Due from Other Entities

Due from other entities are comprised mainly of federal grant revenues receivable.

Inventory

Inventory consists of materials and supplies which will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used.

Other Assets

Other assets include prepaid expenses, advances to sub-grantees, interest receivable, assets in liquidation, and other miscellaneous items. Prepaid expenses represent amounts paid in the current period for services which will benefit future periods. Prepaids are accounted for using the consumption method.

Capital Assets, Net

Capital assets include infrastructure (roads and bridges), land, buildings and improvements, construction in progress, improvements other than buildings, machinery and equipment, and other capital assets. Assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset’s utility or materially extend an asset’s useful life are not capitalized. Interest expense related to fixed asset construction is capitalized for proprietary funds but not governmental funds.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. Donated capital assets are recorded at the estimated fair value at the date of donation and revenue is recognized. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Federal grant land is valued at one dollar per acre.

All capital assets, with the exception of roads, right-of-ways, land, construction in progress, and arts and historical treasures are depreciated.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and right-of-ways are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level, and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the roads' service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads.

Art and historical treasures are not capitalized unless those collections were already capitalized on June 30, 1999. Art and historical treasures include historical artifacts, historical documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, monuments, and buildings. Art and historical collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for collection.

Payables

Payables in the General Fund consist primarily of revenue sharing and short term vendor obligations. Accounts payable in the special revenue funds relate primarily to public assistance (the largest being Medicaid). The largest enterprise fund payable is for the College and University fund mostly comprised of vendor obligations. The Public Employee Retirement System of Idaho investment purchases comprise the primary fiduciary fund payable. All fund types have generic vendor payables.

Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

Deposits

Deposits consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally, the owner will default on the conditions and the asset held as a deposit becomes the property of the State and is recorded as revenue at that time.

Other Liabilities

Other liabilities consist of payroll payable, contingent liabilities, unclaimed property, and other accrued liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities contain the following:

Capital Leases Payable consist of lease contracts entered into by the State that are in substance a purchase.

Compensated Absences Payable include vacation and compensatory time earned but not paid.

Bonds and Notes Payable consist of notes and bonds issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 11 for further explanation.

Policy Claim Liabilities include amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

Claims and Judgments are payable on behalf of the State and its agencies for various legal proceedings and claims.

Other Long-Term Liabilities consist mainly of a net pension obligation.

F. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

Reservations of fund balance and restricted net assets identify assets that are not available for appropriation for expenditures or are legally segregated for a specific future use.

G. Newly Issued Accounting Pronouncement

The Government Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Statement No. 39 amends Statement No. 14, *The Financial Reporting Entity*. Management has not yet determined the impact this standard will have on the State's financial statements. This new accounting standard may impact

the State's revenue and expenditure/expense recognition and assets, liabilities, and fund equity reporting. The requirements of this statement are effective for the fiscal year ending June 30, 2004.

In March of 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement enables readers to better determine the potential for losses associated with investments and deposits. This new accounting standard will impact the State's investment disclosure. The requirements of this statement are effective for the fiscal year ending June 30, 2005.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents are deposited with various financial institutions and are carried at cost. *Idaho Code* does not require collateralization of deposits. The State Treasurer controls the receipt and disbursement of agencies' cash except for the following: Petroleum Clean Water Trust Fund and the Idaho Life and Health Guaranty Association (discretely presented component units); the Idaho State Building Authority (a blended component unit); Endowment Funds (permanent funds); the State Bar, the Potato Commission, the Dairy Commission, and the Wheat Commission (nonmajor special revenue funds); the State Lottery and some of the college and universities (enterprise funds); and the Public Employees Retirement System of Idaho (a fiduciary fund).

Deposits are categorized into the following three categories of credit risk:

1. Deposits which are fully insured or collateralized with securities held by the State or its agent in the State's name;
2. Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name; or
3. Deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the State's name.

The following summary presents the State's deposits, as of June 30, 2003 (*in thousands*):

Primary Government and Fiduciary Funds:	Category 1	Category 2	Category 3	Total
Cash, Cash Equivalents, and Cash Equity with Treasurer	\$602,464	\$210,914	\$54,130	\$867,508
Reconciliation of Risk Categorized Cash to Cash per Financial Statements for Primary Government and Fiduciary Funds				
Cash, Cash Equivalents, and Cash Equity with Treasurer per Risk Categorization (Bank Balance)				\$867,508
Less: Outstanding Warrants				(92,285)
Investment Deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes				(2,252)
Plus: Idle Pool Cash Included with Investments for Note Disclosure Purposes				395,612
Cash, Cash Equivalents, and Cash Equity with Treasurer per Financial Statements (Book Balance)				<u>\$1,168,583</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

The following summary presents the State's deposits as reported on the Statement of Net Assets and Statement of Fiduciary Net Assets (*in thousands*):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash Equity with Treasurer	\$397,214	\$162,476	\$348,569	\$908,259
Cash and Cash Equivalents	42,794	214,794	2,736	260,324
Total	\$440,008	\$377,270	\$351,305	\$1,168,583

The following summary presents the Discretely Presented Component Units' deposits, as of June 30, 2003 (*in thousands*):

Discretely Presented Component Units	Category 1	Category 2	Category 3	Total
Cash, Cash Equivalents, and Cash Equity with Treasurer	\$2,514	\$4,250	\$2,734	\$9,498
Reconciliation of Risk Categorized Cash to Cash per Financial Statements for Component Units				
Cash, Cash Equivalents, and Cash Equity with Treasurer per Risk Categorization (Bank Balance)				\$9,498
Less: Investment Deposits included with Cash and Cash Equivalents for Note Disclosure Purposes				(2,403)
Cash, Cash Equivalents, and Cash Equity with Treasurer per Financial Statement (Book Balance)				\$7,095

B. Investments

The State's investments are classified in three categories of credit risk to give an indication of the level of credit risk assumed by the State as of the year-end. The three categories of credit risk include the following:

1. Investments that are insured or registered or for which the securities are held by the State or its agent in the State's name;
2. Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name; or

3. Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the State's name.

Some investments are made directly by an agency rather than by the State Treasurer. Only a few agencies are authorized to make such investments and then only for specific programs. All investments are valued in accordance with GASB 31, as described in Note 1.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

The following summary identifies the level of credit risk assumed by the State and the total fair value of State investments at fiscal year-end (*in thousands*):

Primary Government and Fiduciary Funds <u>Investments</u>	Credit Risk Categories			Fair Value
	1	2	3	
Repurchase Agreements		\$15,836		\$15,836
U.S. Government Obligations	\$10,954	88,480	\$303	99,737
U.S. Agency Obligations	254,371	63,347	159,913	477,631
Mortgage-Backed Securities	641,768	177,007	1,665	820,440
Marketable Securities	4,659,246		54,342	4,713,588
Corporate Bonds	2,220,662	74,805	16,877	2,312,344
Other	56,336	3,698	6,395	66,429
Risk Classified Investments	\$7,843,337	\$423,173	\$239,495	8,506,005
<u>Investments Not Subject to Classification Due to Their Nature</u>				
Pooled Short Term Investment Fund				223,245
Idaho Commercial Mortgages				298,551
Real Estate				33,524
Private Equity				137,031
Mutual Fund Holdings				103,478
Index Fund and Fixed Income Fund Holdings in Agency Fund				139,003
Other Investments				2,446
Total Non-Classified Investments				937,278
Total Investments				\$9,443,283
Reconciliation of Primary Government and Fiduciary Funds Risk Categorized Investments to Investments per Financial Statements				
Investments per Risk Categorization				\$9,443,283
Less: Idle Pool Cash Included with Investments for Note Disclosure Purposes				(395,612)
Plus: Investment deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes				2,252
Investments per Financial Statements				\$9,049,923

The following summary presents the State's investments as reported on the Statement of Net Assets and Statement of Fiduciary Net Assets (*in thousands*):

	Governmental	Business-Type		
	Activities	Activities	Fiduciary Funds	Total
Investments	\$824,923	\$229,110	\$7,995,890	\$9,049,923

The following summary presents the Discretely Presented Component Units' investments, as of June 30, 2003 (*in thousands*):

Discretely Presented Component Units <u>Investments</u>	Credit Risk Categories			Fair Value
	1	2	3	
U.S. Government Obligations	\$3,768		\$1,021	\$4,789
U.S. Agency Obligations			14,623	14,623
Corporate Bonds			14,221	14,221
Total Investments	\$3,768		\$29,865	\$33,633
Reconciliation of Discretely Presented Component Unit Risk Categorized Investments to Investments per Financial Statements				
Investments per Risk Categorization				\$33,633
Investment deposits included with Cash and Cash Equivalents for Note Disclosure Purposes				2,403
Investments per Financial Statements				\$36,036

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2003

Repurchase Agreements: Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short time periods.

Securities Lending Agreements: Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The State Treasurer participates in securities lending programs with both the External Investment Pool and Idle Pool funds. *Idaho Code*, Section 67-1210, authorizes the State Treasurer to invest excess funds, other than endowment funds. The Treasurer's securities custodian manages the securities lending program. During the year, the custodian loaned U.S. government securities, equity securities, and corporate bonds or notes for collateral for cash and government securities. The investments are collateralized at 102 percent of the market and restated to the market value on a daily basis. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities loaned upon demand.

The cash collateral received is invested by the custodian and held in a separate account in the name of the State Treasurer. Cash is only reinvested in repurchase agreements with terms equally matching the actual securities lent. The Treasurer is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the State Treasurer had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. At June 30, the carrying amount and fair value of the securities was approximately \$793,970,236 and \$799,949,528, respectively. The approximate market value for the underlying collateral for these securities was \$816,235,653.

In accordance with *Idaho Code*, Section 57-722, the Endowment Board engages in securities lending activities, whereby certain securities (equities, U.S. government securities, and government issues) are loaned to specific entities. The securities borrower will pay a stated premium to the Endowment Board that will be remitted monthly. At the time the securities are loaned, cash or other collateral is received by the Investment Board. Securities lending collateral is comprised of certain U.S. government issued or U.S. government agency securities and is received valued at the required margin of 102 percent of the market value of the securities loaned. The securities lending agreement requires daily monitoring of the market value of the securities loaned and collateral received with additional

collateral obtained as necessary to meet margin requirements.

The Endowment Board is indemnified for fraudulent or negligent acts performed by the trustee (Key Trust Company National Association dba Victory Capital Management), and should loaned securities not be returned as specified, the Trustees would be required to make the Endowment Board whole. As such, credit risk exposure is limited under these transactions. As of June 30, 2003, the fair value of the loaned securities are as follows:

Public School Endowment Fund	\$92,188,576
Pooled Endowment Fund	\$47,954,715
Capitol Permanent Endowment Fund	\$2,217,251

Other Investing Activities: The Public Employee Retirement System of Idaho (the System) purchases forward contracts for certain international investments and United States agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System does not incur any costs for forward contracts until the settlement date. Future potential obligations for the forward contracts are not recognized until the contract expiration date.

The System has entered into forward foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. The value of foreign currency to be purchased or sold fluctuates continuously. As such, it is possible that the foreign currency market price at the specified time to purchase or sell may be lower than the price at which the System is committed to buy or sell. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the System have to purchase currency on the open market. Unrealized losses of \$3,305,590 at June 30, 2003, were recognized, which represents the loss that would occur from executing forward foreign exchange contracts at June 30, 2003.

The Endowment Board engages in sales (writing) of covered call options, in accordance with investment laws, to increase yield for certain securities that are owned. These options typically involve United States

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2003

treasuries, notes, and bonds with 10 to 30-year maturities and are usually outstanding for periods of one week to one month. During the time the options are outstanding, the Endowment Board is exposed to market risk, or the risk of changes in interest rates. As interest rates decrease and bond prices increase to or above the exercise price as specified in the option, the security could be called, and the Endowment Board would be forced to sell the security at the call price, giving up the potential yield on the security. If the bond is called, and the Endowment Board does not want to lose the security, they will buy back the call option at a loss. At year-end, the Endowment Board had no outstanding call options.

The Endowment Board also invests in collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The Idaho Millennium Fund, which is made up of the tobacco settlement receipts, is reported as part of the General Fund. The receipts are not legally restricted in how they can be used and in accordance with *Idaho Code*, Section 67-1801, the State Treasurer is granted the authority to separately invest the assets as authorized by the standards of the *Idaho Uniform Prudent Investor Act*, Chapter 5, Title 68.

Boise State University also invests in interest-only U.S. Treasury strips (a derivative) to maximize yields. These investments are based on cash flows from interest

payments on underlying U.S. Treasury Securities. The underlying securities are guaranteed by the U.S. Government and do not present the same level of risk as do other forms of derivatives.

Donor-Restricted Investments: Idaho's permanent endowment includes the Public Schools and the Pooled Funds. Both funds have a nonexpendable permanent corpus and an Earnings Reserve account, which is used to receive earnings and to pay beneficiaries and expenses. The Idaho Endowment Board invests the revenues generated from the management and/or sale of endowment lands in accordance with *Idaho Code*, Title 57, Chapter 7, which also governs the spending of net appreciation from these investments. At June 30, 2003, net appreciation of investments was \$7,666,200 and \$3,882,695 for Public Schools and Pooled Funds, respectively. Net appreciation of investments is reported as part of restricted net assets.

Idaho Public Television (nonmajor special revenue fund) holds approximately \$3.8 million of investments in the form of cash and cash equivalents, U.S. government obligations, and marketable securities in the name of Friends Foundation. The principal amount (approximately \$2.4 million) is to remain intact for donor-restricted purposes. The IPTV Foundation Board authorizes the amount of net appreciation that IPTV may spend. IPTV determines the purpose of the expenditures. At June 30, 2003, net appreciation was \$671,918 and is reflected in restricted net assets.

NOTE 3. EXTERNAL INVESTMENT POOL

Overview of the State Treasurer's Authority

Idaho Code, Section 67-2328, authorizing the Joint Exercise of Powers Trust Fund, permits the State Treasurer to sponsor an investment pool. Other Idaho governmental entities (cities, counties, school districts, etc.) can voluntarily place excess funds in the investment pool to earn higher interest rates. The Joint Exercise of Powers Trust Fund, also referred to as the Local Government Investment Pool (Pool), is reported as a fiduciary-type investment trust fund. The State Treasurer may also invest state money in the Pool. The Treasurer's Office must operate and invest the funds for the benefit of the participants, in accordance with *Idaho Code*, Title 67, Chapter 12. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body.

Investments are converted to fair value at June 30 in accordance with GASB Statement 31. Fair value is defined as the market value (bid) if the investment is traded on a recognized exchange or the value of the investment in a current transaction with a willing buyer other than a forced liquidation sale. Investments were valued through a quoted market price. The Pool operates and reports to participants on an amortized cost basis. Specifically, the Pool distributes earnings to the participants monthly based on their relative participation during the month. Distributed earnings are calculated based on (1) realized gains and losses calculated on an amortized cost basis; (2) interest income; (3) amortization of discounts and premiums on a straight-line basis; and (4) administrative expenses. This method

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the Pool's investments. Thus the participant's share of the Pool is not based on fair value. The Treasurer does not provide any legally binding guarantees to support the value of shares to the

participants. No separate reports of the external investment pool have been issued. The assets in these notes will not agree to the asset amounts included in the fiduciary fund financial statements for the Pool because GASB Statement 31 requires that only the external portion of investment pool assets be reported in that fund. The internal portion of assets must be reported in the applicable individual fund or component unit.

The following schedule summarizes the investments for the external investment pool at June 30, 2003:

Summary of Fair Value
(in thousands)

Security	Amortized Cost	Fair Value	Purchase Yield	Maturity
Commercial Paper*	\$149,931	\$149,931	1.323% - 1.454%	07/03
Corporate Bonds	200,143	202,004	1.495% - 6.135%	07/03 - 06/08
United States Treasury Notes	134,792	135,625	1.669% - 3.496%	11/03 - 08/05
Federal Farm Credit Bank	36,963	37,663	2.203% - 5.517%	07/03 - 07/06
Federal Home Loan Bank	235,752	239,053	2.000% - 5.247%	08/03 - 01/08
Federal Home Loan Mortgage Corp.	167,231	168,449	1.400% - 3.348%	11/03 - 11/07
Federal National Mortgage Assoc.	209,790	211,148	0.447% - 4.089%	10/04 - 06/08
Money Market Account*	194,165	194,165	0.000%	
Purchase Accrued Interest*	1,227	1,227	0.000%	07/03 - 12/03
Total	\$1,329,994	\$1,339,265		

*Represents Cash and Cash Equivalents

All Pool investments are insured or registered, or are securities held by the Pool or its agent in the Pool's name. Deposits are not insured or otherwise guaranteed by the State of Idaho.

The administrative costs associated with the Pool are paid to the State Treasurer's Office on a monthly basis by a transfer from the Pool to the State Treasurer's operating fund.

Calculation of Change in Fair Value

The State uses the aggregate method for determining the increase (decrease) in fair value of the investments in the Pool. Below is a schedule showing the increase in the fair value of investments during fiscal year 2003 (*in thousands*):

Fair Value at June 30, 2003	\$1,339,265
Add: Proceeds of Investments Sold in FY03	6,151,510
Less: Cost of Investments Purchased in FY03	(6,278,554)
Fair Value at June 30, 2002	(1,222,986)
Change in Fair Value of Investments During FY03	<u>(\$10,765)</u>

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

The Joint Exercise of Powers Trust Fund condensed financial statements, inclusive of external and internal participants, for the fiscal year ended June 30, 2003, are as follows:

Joint Exercise of Powers Trust Fund Statement of Net Assets June 30, 2003 <i>(in thousands)</i>	
Assets	
Investments, at Fair Value	\$993,942
Cash/Cash Equivalents	345,323
Interest Receivable to the Pool	186
Total Assets	1,339,451
Liabilities	
Distributions Payable	993
Total Liabilities	993
Net Assets Held in Trust for Pool Participants	\$1,338,458
Net Assets Consist Of:	
External Participant Units Outstanding (\$1.00 par)	\$1,300,333
Internal Participant Units Outstanding (\$1.00 par)	29,661
Undistributed Reserves and Unrealized Gains	8,464
Net Assets Held in Trust for Pool Participants	\$1,338,458
Total Participant Units Outstanding (\$1.00 par)	1,338,458
Participant Net Asset Value, Offering Price and Redemption	
Price per share (1,338,457,768 / 1,329,994,152)	\$1.01

Joint Exercise of Powers Trust Fund Statement of Operations and Changes in Net Assets For the Fiscal Year Ended June 30, 2003 <i>(in thousands)</i>	
Investment Income	
Interest Income (at Stated Rate of Interest)	\$48,928
Net Increase (Decrease) in Fair Value of Investments	(10,765)
Total Investment Income	38,163
Expenses	
Administrative Fees	(229)
Net Investment Income (Net Increase in Net Assets as a Result of Operations)	37,934
Distributions to Participants	
Distributions Paid and Payable	(41,177)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	\$2,659,118
Pooled Participant Withdrawals	(2,543,298)
Net Increase (Decrease) in Net Assets and Shares Resulting From	
Share Transactions	115,820
Total Increase (Decrease) in Net Assets	112,577
Net Assets Held in Trust for Pool Participants	
Beginning of Period	1,225,881
End of Period	\$1,338,458

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 4. INTERFUND ACCOUNTS AND TRANSFERS

A. Due from/Advance to and Due to/Advance from Other Funds

Interfund balances at June 30, 2003, consist of the following:

Due To	Due From								Total
	General Fund	Health and Welfare	Transportation	Endowment Funds	Nonmajor Special Revenue	College and University	Nonmajor Enterprise	Internal Service	
General Fund		\$260,131			\$4,645	\$3,136,809		\$21,268	\$3,422,853
Health and Welfare	\$37,000								37,000
Transportation	6,397		\$15,565		16,389				38,351
Endowment Funds				\$262,680					262,680
Nonmajor Special Revenue	15,725	123,715	139,803	8,756	56,890	4,475			349,364
College and University	566,985	851,252	176,673		1,227,061				2,821,971
Nonmajor Enterprise	65,875	62,138	129,490		11,883	21,261	\$34,387		325,034
Internal Service	46,007	507,678	3,552		78,527	12,394		1,465	649,623
Total	\$737,989	\$1,804,914	\$465,083	\$271,436	\$1,395,395	\$3,174,939	\$34,387	\$22,733	\$7,906,876

Interfund advances at June 30, 2003, consist of the following:

Advance From		Advance To
		Nonmajor Special Revenue
General Fund		\$301,499
Nonmajor Special Revenue		1,134,931
Total		\$1,436,430

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2003, are as follows:

Transfers Out	Transfers In					Total
	General Fund	Health and Welfare	Nonmajor Special Revenue	College and University	Nonmajor Enterprise	
General Fund		\$349,208,200	\$16,223,266	\$237,072,477		\$602,503,943
Health and Welfare	\$62,868					62,868
Transportation			14,535,997			14,535,997
Public School Endowment	37,056,500					37,056,500
Pooled Endowment	6,247,463			\$13,677,537		19,925,000
Nonmajor Special Revenue	66,257,537		940,923		\$2,900,000	70,098,460
Unemployment Compensation			3,625,636			3,625,636
State Lottery	18,000,000					18,000,000
Nonmajor Enterprise	6,445,000	1,850,000				8,295,000
Internal Service	5,000,000					5,000,000
Total	\$139,069,368	\$351,058,200	\$35,325,822	\$250,750,014	\$2,900,000	\$779,103,404

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

Interfund transfers are primarily performed for two reasons: 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law; and 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2003, the following transfer was made that was not routine in nature or was inconsistent with the activities of the fund making the transfer: \$5,000,000 from the Risk Management Fund (reported as an internal service fund) to the General Fund to address budgetary shortfalls.

NOTE 5. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2003, is as follows:

Primary Government

	Balances at July 1, 2002 As Adjusted	Increases	Decreases	Balances at June 30, 2003
Governmental activities:				
Capital assets, not being depreciated:				
Land*	\$850,982,285	\$10,394,380	(\$2,892,522)	\$858,484,143
Construction in Progress	386,817,874	174,416,042	(91,996,273)	469,237,643
Infrastructure*	1,664,732,223	31,037,592	(554,247)	1,695,215,568
Total capital assets, not being depreciated	2,902,532,382	215,848,014	(95,443,042)	3,022,937,354
Capital assets, being depreciated:				
Buildings and Improvements	408,648,028	32,951,284	(10,035,277)	431,564,035
Improvements Other Than Buildings	21,008,960	5,674,565	(8,771)	26,674,754
Machinery, Equipment, and Other	270,516,648	38,828,886	(23,286,168)	286,059,366
Infrastructure	421,294,975	29,968,304	0	451,263,279
Total capital assets being depreciated	1,121,468,611	107,423,039	(33,330,216)	1,195,561,434
Less accumulated depreciation for:				
Buildings and Improvements	(175,364,586)	(14,960,177)	311,527	(190,013,236)
Improvements Other Than Buildings	(6,511,209)	(1,212,485)	2,022	(7,721,672)
Machinery, Equipment, and Other	(156,533,452)	(18,162,664)	10,264,646	(164,431,470)
Infrastructure	(107,144,380)	(5,648,686)	0	(112,793,066)
Total accumulated depreciation	(445,553,627)	(39,984,012)	10,578,195	(474,959,444)
Total capital assets, being depreciated, net	675,914,984	67,439,027	(22,752,021)	720,601,990
Governmental activities capital assets, net	\$3,578,447,366	\$283,287,041	(\$118,195,063)	\$3,743,539,344

*Beginning balance was adjusted for reclassification of right-of-ways from infrastructure to land.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$24,885,980	\$2,376,969	(\$35,000)	\$27,227,949
Construction in Progress	33,046,666	52,977,161	(26,515,139)	59,508,688
Total capital assets, not being depreciated	57,932,646	55,354,130	(26,550,139)	86,736,637
Capital assets, being depreciated:				
Buildings and Improvements	683,690,545	34,831,877	(13,626,284)	704,896,138
Improvements Other Than Buildings	6,098,277	0	0	6,098,277
Machinery, Equipment, and Other	253,469,438	21,275,600	(8,343,811)	266,401,227
Total capital assets being depreciated	943,258,260	56,107,477	(21,970,095)	977,395,642
Less accumulated depreciation for:				
Buildings and Improvements	(229,515,278)	(21,446,328)	9,640,393	(241,321,213)
Improvements Other Than Buildings	(570,299)	(160,638)	0	(730,937)
Machinery, Equipment, and Other	(162,258,652)	(19,485,339)	8,047,012	(173,696,979)
Total accumulated depreciation	(392,344,229)	(41,092,305)	17,687,405	(415,749,129)
Total capital assets, being depreciated, net	550,914,031	15,015,172	(4,282,690)	561,646,513
Business-type activities capital assets, net	\$608,846,677	\$70,369,302	(\$30,832,829)	\$648,383,150

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	\$9,218,220
Public Safety and Correction	6,849,634
Health and Human Services	1,954,547
Education	1,803,563
Economic Development	12,082,606
Natural Resources	6,824,444
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various function based on their usage of the assets	1,250,998
Total depreciation expense for governmental activities	\$39,984,012
Business-type activities:	
College and University	\$39,029,756
State Lottery	1,604,891
Nonmajor Enterprise Funds	457,658
Total depreciation expense for business-type activities	\$41,092,305

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003
Discretely presented component units:				
Capital assets, being depreciated:				
Machinery, Equipment, and Other	\$14,391	\$0	(\$2,856)	\$11,535
Total capital assets being depreciated	<u>14,391</u>	<u>0</u>	<u>(2,856)</u>	<u>11,535</u>
Less accumulated depreciation for:				
Machinery, Equipment, and Other	(12,182)	(1,251)	2,856	(10,577)
Total accumulated depreciation	<u>(12,182)</u>	<u>(1,251)</u>	<u>2,856</u>	<u>(10,577)</u>
Total capital assets, being depreciated, net	<u>2,209</u>	<u>(1,251)</u>	<u>0</u>	<u>958</u>
Component Unit activities capital assets, net	<u>\$2,209</u>	<u>(\$1,251)</u>	<u>\$0</u>	<u>\$958</u>

NOTE 6. RETIREMENT PLANS

Summary of Plans

The Public Employee Retirement System of Idaho (the System) administers the Public Employee Retirement Fund Base Plan (PERSI), the Firemen's Retirement Fund (FRF), and the Defined Contribution Retirement Plan. A retirement board, appointed by the Governor and confirmed by the State Senate, manages the System, which includes selecting the funding agents and establishing funding policy. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Fund. The Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) administers an Optional Retirement Plan (ORP) for the colleges and universities. The Idaho Department of Labor administers a closed retirement plan for employees of the Idaho Department of Labor hired prior to October 1, 1980.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Each of the System administered plans, the Judges retirement, the ORP, and the Labor retirement are discussed individually below.

A. Public Employee Retirement Fund

Plan Description

Organization and Purpose

PERSI is a cost-sharing, multiple-employer defined benefit retirement plan. Statutes governing PERSI are *Idaho Code*, Title 59, Chapter 13 and Title 50, Chapter 15.

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to PERSI. Participation is mandatory for State employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2003, the number of participating employer units was 668 and actual benefit recipients and members were as follows:

Retirees and Beneficiaries/Vested Terminated	
Employees	32,888
Current Active Employees	<u>62,385</u>
Total	<u>95,273</u>

Benefits

The benefit structure is based on members' years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. PERSI is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Idaho Legislature.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2003

Summary of Significant Accounting Policies

The System's basic financial statements of the pension funds are prepared on the accrual basis of accounting. For the financial statements of the pension funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed, investment income is recognized when earned, and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The System adheres to GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. Investments held by PERSI and the FRF are commingled. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments has been estimated based on independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximate market value.

Funding Policy

Contributions and Vesting

The System's funding policy for PERSI is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is 25 years. The payroll for employees covered was approximately \$2,057,000,000.

Employer contributions required and paid were \$68,218,516, \$69,584,530, and \$44,084,570, for the years ended June 30, 2003, 2002, and 2001, respectively. During 2001, PERSI implemented a gain sharing program, whereby employers received a total credit of \$20,100,500 to be used toward their contributions; this made actual contributions of \$64,185,070 for 2001.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2003. Normal cost is 13.78 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.04 percent of covered payroll.

The contribution rates for the year ended June 30, 2003, are as follows:

Employee Group	Employer	Employee
PERSI		
General	9.77%	5.86%
Police and Fire	10.01%	7.21%
ORP Employees of Higher Education		
Colleges and Universities	3.03%	N/A
Junior Colleges	3.83%	N/A

After five years of credited service (five months for elected or appointed officials), members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest accrued at 1.90 percent (1.90 percent from January 1, 2003, through June 30, 2003, and 4.82 percent from July 1, 2002, to December 31, 2002) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding

Contributions from members, employers, and earnings from investments, fund PERSI benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the System.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

B. Firemen's Retirement Fund

Plan Description

Organization and Purpose

The FRF is a cost-sharing, multiple-employer defined benefit retirement plan. The statute governing the FRF is *Idaho Code*, Title 72, Chapter 14. The FRF is administered by PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Complete FRF disclosures may be found in the PERSI financial statements.

Membership

As of June 30, 2003, there were 22 participating employer units, all consisting of local fire departments, in the System. Total employee membership showed 576 retired members or beneficiaries collecting benefits from the FRF and 57 active members.

Summary of Significant Accounting Policies

The significant accounting policies are the same as detailed for PERSI.

C. Defined Contribution Retirement Plan

The PERSI Choice comprises the State's Defined Contribution Retirement Plan. The Statute governing the PERSI Choice is *Idaho Code*, Title 59, Chapter 13. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

Plan Description

Organization and Purpose

The PERSI Choice Plan is made up of a qualified 401(k) component and a 414(k) component. The assets of the PERSI Choice are commingled. The 401(k) portion of the PERSI Choice is open to all active PERSI Base Plan members and was established February 1, 2001. On May 1, 2001, the PERSI Choice became open to voluntary employer matching contributions at rates determined by the employers.

The System entered into a contract with Mellon HR Solutions, the PERSI Choice record keeper, for services relating to eleven investment options, which are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1 percent increments among these options; however, if no allocation preference is indicated, a default

investment election to the PERSI Total Return Fund is made.

Membership

The PERSI Choice has 668 employer units eligible to have participating employees. As of June 30, 2003, there were 48,814 participants in the PERSI Choice.

Benefits

The 414(k) portion of the PERSI Choice was established for gain sharing allocations from PERSI. The gain sharing amount (if any) is based on funding levels in the PERSI Base Plan. Eligibility for gain sharing requires twelve months of active PERSI membership as defined in Idaho Statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

Summary of Significant Accounting Policies

The significant accounting policies are the same as PERSI's.

Funding Policy

Contributions

Beginning in January 2002, employees could make tax-deferred contributions at 1-100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Employers and participants contributed \$286,535 and \$14,582,027, respectively, during the year ended June 30, 2003.

Funding

The administrative expenses of the PERSI Choice, most of which are paid to Mellon HR Solutions, are funded by PERSI.

D. Judges' Retirement Fund

Plan Description

Organization and Purpose

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Justices of the Supreme Court, Court of Appeals Judges, and District Court Judges, hereinafter referred to as "members." The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-506 (*Idaho Uniform Prudent Investor Act*), *Idaho Code*, Title 1, Chapter 20, and *Idaho Code*, Section 59-1301, and is empowered in

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

its sole discretion to limit, control, and designate the types and amounts of investments.

The Judges' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership

As of June 30, 2003, the JRF had 61 retired members or beneficiaries collecting benefits, 9 terminated members entitled to but not yet receiving benefits, and 48 active members.

Benefits

The benefit structure is based on members' years of service and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options. Both options are based upon compensation of the highest office in which the member served, with benefits accumulating as follows: for the first 10 years of service, benefits are credited at 5 percent per year of members' compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of members' compensation. The maximum benefit is 75 percent of compensation. Surviving spouses will be entitled to benefits equal to 50 percent of the members' calculated benefit. In addition to above benefits, option B offers benefits accumulated at 2.5 percent per year for senior judges with 5 years of service.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting. Member and department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms

of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting

Members and the Judicial Department contribute to the JRF during their first 20 years of employment. Member and department contributions are a percentage of member compensation as defined by State law. Contributions provide for department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$4,116,650 for the year ended June 30, 2003. In addition, specified court filing fees in civil court actions are dedicated to the JRF.

The funding status and required contribution levels are reviewed periodically by an actuary using the Entry Age Actuarial Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Actuarial valuations of the JRF are generally performed biennially. Based on the most recent actuarial valuation as of July 1, 2003, the Annual Required Contributions (ARC) was \$1,942,073. Total contributions to the pension plan for the fiscal year ended June 30, 2003, amounted to \$2,076,020, of which \$1,541,910 was received from filing fees, and \$287,599 and \$246,511 were made by the Judicial Department and its justices and judges, respectively. Net pension obligation increased from \$18,452 in 2002 to \$124,280 in 2003 due to the annual pension cost exceeding the employer's contributions. There was no net pension obligation prior to 2002.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

The State's APC and NPO to JRF for the current year and two preceding years are as follows:

**Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation**

	2001	2002	2003
Annual Required Contribution, ARC	NA	\$1,794,457	\$1,942,073
Interest on Net Pension Obligation, NPO		0	1,384
Adjustment to ARC		0	(1,655)
Annual Pension Cost		1,794,457	1,941,802
Employer Contributions Made		(1,776,005)	(1,835,974)
Increase (decrease) in NPO		18,452	105,828
Prior Year Net Pension Obligation		0	18,452
Current Year Net Pension Obligation		\$18,452	\$124,280
Percentage of APC Contributed		99.0%	94.6%

There was no evaluation performed in 2001 and no net pension obligation until 2002.

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon attainment of age 65 or after 20 years of service.

Funding

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

E. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for college and university faculty and exempt employees. Statutes governing this plan are *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3.03 percent of the annual covered payroll to PERSI through July 1, 2015. During the year ended June 30, 2003, this supplemental funding payment made to PERSI was \$4,565,576.

The contribution requirement and amount paid for the year ended June 30, 2003, was \$22,088,650, which consisted of \$11,604,551 from the universities and \$10,484,099 from employees. These contributions represented approximately 7.72 percent and 6.97 percent of covered payroll.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age (62 years of age for University of Idaho).

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

F. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone, insured retirement plan provides retirement benefits for employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The authorities under which benefits are provided and may be amended are *Idaho Code*, Section 72-1335 and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership

There are 96 current participating employees of the Idaho Department of Labor and 384 retired former employees or beneficiaries receiving benefits in the Labor Retirement Plan.

Benefits

The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased by Prudential Investments, with 120 payments guaranteed. An annuity is purchased for each retired employee. Once an annuity is purchased, the State has no further liability. Prudential Investments has guaranteed to pay for benefits in the event of Prudential's insolvency. At September 30, 2002 (the last actuarial

valuation date), there was no unfunded liability. The normal service retirement allowance is the average annual salary for the highest three consecutive years times two percent for each year of credited service.

According to the latest periodic actuarial valuation on September 30, 2002, the present value of future retirement benefits was \$119,271,000. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7 percent for 2002. Net assets available for benefits (at fair value) are \$141,526,000.

Funding Policy

Contributions

Until August 1999, the employee contributed a portion (7 percent) of the normal cost contribution rate. The employee contribution was required by the Plan and was therefore made even though it was not actuarially needed to finance future benefits. In August 1999, the United States Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2002, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2003. The total employer contribution for fiscal year 2003 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 7. POSTEMPLOYMENT BENEFITS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. The authority establishing the benefits and obligations to contribute is found in *Idaho Code*, Sections 67-5760 and 67-5761.

A. Postemployment Benefits Other Than Pensions

Retirees Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including state officials and elected officials, who is eligible to retire under the Public Employee Retirement System of Idaho (the System) and whose unreduced System monthly benefit at the time of retirement would meet or exceed the monthly cost of single retiree health insurance coverage, may elect to have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state

employees must enroll within sixty days of the date of their retirement and must have ten or more years (20,800 or more hours) of credited state service in a state-sponsored retirement system. If the date of enrollment is deferred beyond the original date of retirement, employees' monthly retirement benefit amount must equal or exceed the single retiree premium at the time of the deferred enrollment.

The retiree coverage is different than that for active employees. The retiree pays the majority of the premium cost (unless they are participating in the sick leave fund described later). However, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2003, the State contributed eight dollars per active non-retired employee per month and the active employees contributed an equal amount, which went to a reserve to offset the monthly costs of the retirees' benefit. Other than an aging population, there are no significant matters

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

that affect comparability of the State's costs from one year to the next. The State's monthly contribution towards the monthly premium of \$151,153 was approximately 4.2 percent of the total annual State and employee contribution of \$3,627,680. The State's annual contribution towards the retiree premium cost was approximately \$1,813,840. A total of 2,939 retired employees were eligible to receive benefits as of June 30, 2003. The Legislature has not set aside any assets to pay future benefits. The benefits are pay-as-you-go.

Long-term Disability

Long-term disability benefits are available for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or \$3,000 (whichever is smaller). The State pays 100 percent of the cost of the program.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 6.5 percent (based on the most recent actuarial report available) and a standard disability termination table. Plan assets are valued at cost and as of June 30, 2002, the net assets available for future payments were \$16,048,280. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior years was \$16,190,000 and the unfunded liability was \$141,720. The actuarial accrued liability was \$25,310,000 on an undiscounted basis.

The State's actuarially required contribution for the period was 0.505 percent of payroll, and actual contributions for the period were 0.505 percent of payroll. As of June 30, 2002, there were 295 disabled employees receiving this benefit.

Payment of Life Insurance Premiums for Disabled Employees

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. Disabled

employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 6.5 percent and a standard waiver of premium life table. Plan assets are valued at cost and as of June 30, 2002, the net assets available for future payments were \$4,688,664. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior fiscal years was \$5,500,000 and the unfunded liability was \$811,336. The actuarial accrued liability was \$7,920,000 on an undiscounted basis.

The funding for these reserves is built into the premiums paid by the State to the life insurance carrier. As of June 30, 2002, there were 508 disabled employees receiving this benefit.

Payment of Health Insurance Premiums for Disabled Employees

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal contribution, if any, for these benefits.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include a standard disability termination table and a medical trend rate of 15 percent, and a discount rate of 4 percent. Plan assets are valued at cost, and as of June 30, 2002, the net assets available for future payments were \$470,273. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior fiscal years was \$1,100,000 and the unfunded actuarial accrued liability was \$629,727. The actuarial accrued liability was \$1,140,000 on an undiscounted basis.

The State's actuarially required contribution for the period was \$3.20 per employee per month, and actual contributions for the period were \$3.20 per employee per

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

month. As of June 30, 2002, there were 200 disabled employees receiving this benefit.

**B. Postemployment Healthcare Benefits
Administered by Defined Benefit Pension Plan**

Sick Leave/Insurance Reserve Fund

School districts and state agencies provide for the payment of certain postretirement health insurance premiums. This postretirement benefit is not part of a defined benefit plan but is a separate, statutorily provided benefit available to retirees based on unused accumulated sick leave at their retirement date.

The Public Employee Retirement System of Idaho (the System) acts as an agent for this fund on behalf of the employers. The employers finance the program by remitting a percentage of payrolls to the System to cover future insurance premiums. Employers are responsible for any unfunded benefit obligations. The Sick Leave/Insurance Reserve fund assets are valued at market value.

Statutes governing this program are *Idaho Code*, Sections 67-5339, 33-1216, and 33-1228, which provide for the transferring of amounts from the Sick Leave/Insurance Reserve fund to a retiree's sick leave account for the payment of postretirement health benefits as may be maintained by the employer. The sick leave amount available for benefits is based on the following:

School District Retirees – one-half of their sick leave balance and rate of compensation at retirement.

State Retirees – one-half of their sick leave balance and rate of compensation at retirement, up to the maximum described below:

Credited Hours of State Service	Maximum Allowable Hours
0 - 10,400 (0 -5 years of service)	420
10,401 - 20,800 (5 -10 years of service)	480
20,801 - 31,200 (10 -15 years of service)	540
31,201+ (15 years of service or more)	600

Presented below is pertinent actuarial information from the most recent actuarial valuations dated July 1, 2003:

	General Employees/ Fire and Police	Teachers	Total
Active Participants	45,539	16,846	62,385
Contributions Required and Paid	\$8,641,516	\$8,442,737	\$17,084,253
Rate of Contribution	0.65%	1.15%	

The information presented below shows the current funding status of the Sick Leave/Insurance Reserve Fund, based upon the most recent actuarial *Study of Unused Sick Leave Benefits* dated July 1, 2001 (*in thousands*):

	General Employees/ Fire and Police	Teachers	Total
Total Net Assets Available for Future Payments	\$47,300	\$77,600	\$124,900
Unfunded Actuarial Liability	16,100	27,700	43,800
Actuarially Accrued Liability	63,400	105,300	168,700

Postretirement health insurance benefits are advance-funded with employer contributions on an actuarially determined basis, using the Entry Age Actuarial Cost

Method. Postretirement health insurance premiums are paid from the retiree's sick leave account until the account balance is exhausted.

NOTE 8. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk

Management and Group Insurance funds (internal service funds) and various outside entity insurance providers.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

The Risk Management fund manages property and general liability risk. The fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of \$500,000 for each claim. Property damage claims are self-insured for up to \$250,000 per claim, not to exceed \$750,000 annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are partially insured through others but the majority is self-insured. The liability for self-insurance claims has been actuarially determined. Policy claim liabilities are presented in the Group Insurance fund and are composed of the liability for self-insured claims and the amounts required to fund premium payments of life and health coverage for disabled employees. Life, short-term disability, and health insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 10 percent of the annual premiums for medical, 14 percent for dental, and 10 percent for life coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount the State is responsible for is accounted for and presented as restricted net assets in the Group Insurance fund. The State also maintains program and premium stabilization

balances in the event they exhaust restricted equity. These amounts are included in unrestricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. For fiscal year 2001, claim settlements for both funds did not exceed insurance coverage; however, during fiscal year 2002, medical claim settlements exceeded insurance coverage by \$7,127,853. In 2003, medical and dental claim settlements exceeded insurance coverage by \$8,586,742 and \$247,160, respectively.

The liabilities for the Risk Management and Group Insurance funds are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs and any anticipated subrogation receipts. At fiscal year-end, \$19,835,006 of unpaid claim liabilities for Risk Management are presented at their present value of \$16,632,768 using a 4.5 percent discount interest rate. Unpaid claim liabilities of \$34,376,471 for Group Insurance are presented at their present value of \$22,796,471 using a 6.5 percent discount rate.

The following table presents changes in policy claim liabilities for the fiscal years ending June 30, 2002, and June 30, 2003:

			Current Year Claims and Changes in Estimate	Claims Payments	Ending Balance
	Fiscal Year	Beginning Balance			
Risk Management	2002	\$17,512,395	\$4,230,127	(\$3,894,376)	\$17,848,146
	2003	17,848,146	(945,463)	(269,915)	16,632,768
Group Insurance*	2002	\$20,746,042	\$2,050,429		\$22,796,471
	2003	22,796,471	0		22,796,471

*Group insurance amounts are based on the most recent actuarial study for fiscal year 2002.

The State records its premium liability using discounted amounts provided by actuaries. The discounted

liabilities take into account anticipated investment income.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 9. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases for which the State will not gain title to the asset; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating leases contain various renewal options, as well

as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2003 were \$20,656,567 for the primary government and \$42,549 for component units.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2003, are as follows:

Fiscal Year	Operating Leases			Capital Leases		
	Primary Government	Component Units	Total Operating Leases	Governmental Activities	Business-Type Activities	Total Capital Leases
2004	\$18,308,727	\$12,560	\$18,321,287	\$752,101	\$1,129,794	\$1,881,895
2005	16,589,201	12,560	16,601,761	719,947	1,113,412	1,833,359
2006	11,527,548	12,560	11,540,108	677,569	825,381	1,502,950
2007	9,199,691	2,156	9,201,847	625,616	770,738	1,396,354
2008	6,454,845		6,454,845	625,616	725,168	1,350,784
2009 - 2013	8,184,787		8,184,787	2,213,296	2,710,897	4,924,193
2014 - 2018	2,579,630		2,579,630	1,303,405	1,709,812	3,013,217
2019 - 2023	2,803,129		2,803,129	891,818		891,818
2024 - 2028				954,038		954,038
2029 - 2033				595,735		595,735
Total Payments	\$75,647,558	\$39,836	\$75,687,394	9,359,141	8,985,202	18,344,343
Less Imputed Interest				(5,382,745)	(2,520,873)	(7,903,618)
Total Present Value of Minimum Lease Payments				\$3,976,396	\$6,464,329	\$10,440,725

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

The schedule below is an analysis of assets under capital leases as of June 30, 2003:

	Governmental Activities	Business-Type Activities	Capital Assets Under Capital Leases
Land	\$321,482		\$321,482
Buildings and Improvements	3,000,114	\$4,442,444	7,442,558
Improvements Other Than Buildings	1,031,411		1,031,411
Machinery, Equipment, and Other	964,796	2,590,565	3,555,361
Total Capital Leases	\$5,317,803	\$7,033,009	\$12,350,812

B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Idaho Historical Society, the Lava Hot Springs Foundation, and the Departments of Health and

Welfare, Juvenile Corrections, Lands, and Parks and Recreation. At June 30, 2003, the State leased the following:

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	\$1,857,958	\$0	\$1,857,958
Buildings and Improvements	752,069	(542,085)	209,984
Improvements Other Than Buildings	6,986	(6,986)	0
Total	\$2,617,013	(549,071)	\$2,067,942

The Lava Hot Springs Foundation and Department of Lands participate in zero service leases. A zero service lease is an operating lease, which the lessee pays the State a market rent for use of the real property with no other services provided by the State. The lessee bears the responsibility for actual operating costs associated with the services necessary to operate the property, with

the exception of property damage and casualty insurance which the State maintains as part of the State's risk management program. The actual cost of operating the property does not affect the market rent under the lease. The market rent paid by the lessee is established by an independent appraisal.

The following is a schedule of minimum future rentals for operating leases as of June 30, 2003:

Fiscal Year Ending June 30	Total
2004	\$3,471,320
2005	5,910,946
2006	5,155,835
2007	4,972,626
2008	4,699,207
2009 - 2013	10,249,053
2014 - 2018	1,544,663
2019 - 2023	1,508,197
Total Minimum Future Rentals	\$37,511,847

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease

contracts. Contingent rentals amounted to \$13,240 in fiscal year 2003.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 10. SHORT-TERM DEBT

Idaho Code, Title 63, Chapter 32, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of income or revenue from taxes. The State uses external tax anticipation notes (TAN) to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors regarding the timing of receipts, such as the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly

collections of corporate income tax. During fiscal year 2003, the State anticipated that it would receive 44.5 percent of General Fund revenues in the first six months; however, disbursements during the same period were expected to account for 57.5 percent of total expenditures. These disbursements were made up primarily of public school aid and Health and Welfare expenditures. External tax anticipation notes sold on the open market were issued on July 1, 2002, and redeemed on June 30, 2003.

TAN activity for the year ended June 30, 2003, is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
External Tax Anticipation Notes	\$0	\$350,000,000	\$350,000,000	\$0

NOTE 11. BONDS/NOTES/OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees earn vacation based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued for all vacation pay and compensatory time when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability is based on the pay rate in effect at the balance sheet date. Idaho does not accumulate a liability for sick leave since the government does not have a policy to pay any amounts when employees separate from service. Upon retirement, 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is transferred to the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. Also included in compensated absences is a \$4,629,483 liability for one-time special termination benefits associated with the University of Idaho's Voluntary Separation and Retirement Opportunities Program. The value of sick leave balances accumulated to pay retiree health insurance benefits are reported in a trust fund and are not

included as part of the compensated absence liability. The State assumes a first-in, first-out flow for compensated absences balances. Presentation of compensated absences requires the use of certain estimates and calculations based on current year activity and historical data.

B. Revenue Bonds

Revenue bonds have been issued for both governmental and business-type activities.

The Idaho State Building Authority, a blended component unit reported as a nonmajor special revenue fund, issues notes and bonds to finance construction or acquisitions of facilities for lease to the State subject to prior legislative approval. Idaho State Building Authority bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2003, under these surety bonds. In accordance with GASB Statement 34, the Authority has not reported bond issuance costs and related amortization prior to July 1, 2001.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

The *State's colleges and universities*, reported as a major enterprise fund, issued a number of bonds for the purpose of funding various projects. University bonds are secured by various revenue sources, including student fees.

The *Idaho Water Resource Board*, reported as a nonmajor enterprise Loan fund, is authorized to issue and sell revenue bonds under provisions in *Idaho Code*, Sections 42-1739 through 42-1749. Bonds issued in 1999 for the Dworshak Hydroelectric project and the revenues that the board shall derive from this project are pledged in order to pay its costs of planning, financing, acquisition, construction, operation, and maintenance of the water project. These bonds are not considered

general obligations of the State. The bonds are secured by an irrevocable direct pay letter of credit with the trustee bank. The letter of credit permits the trustee to draw an amount sufficient to pay the principal payment plus 210 days' interest. The letter of credit that will expire on May 1, 2006, may be removed under certain conditions described in the bond indenture, and may be renewed when it expires. The amount available is dependent upon the principal and ranges between \$50,765 in 2004 and \$48,897 in 2006. The letter of credit has never been used. An amount equal to the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline to the generation plant is out of service and no power can be generated.

Revenue bonds outstanding at year-end are as follows (*in thousands*):

Bond Description	Interest Rate	Amount
Building Authority	0.000% to 5.900%	\$155,160
College and University	2.000% to 6.500%	255,640
Loan Fund	6.500% to 7.750%	4,925
Total Revenue Bonds Payable		\$415,725

Revenue bond debt service requirements to maturity are as follows (*in thousands*):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities			
	Building Authority		College and University		Loan Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$5,945	\$7,117	\$7,230	\$13,395	\$60	\$366
2005	6,150	6,915	8,195	12,800	80	363
2006	6,355	6,701	8,905	12,417	100	357
2007	6,575	6,478	9,625	12,009	125	351
2008	6,155	6,258	9,900	11,565	150	342
2009 - 2013	21,285	28,330	52,025	50,352	1,250	1,511
2014 - 2018	17,965	24,029	53,715	36,393	2,460	886
2019 - 2023	24,450	18,494	48,540	22,718	700	54
2024 - 2028	20,835	12,047	28,625	11,853		
2029 - 2033	9,790	8,696	14,630	5,674		
2034 - 2038	12,585	5,903	8,195	3,009		
2039 - 2043	16,160	2,329	6,055	665		
2044 - 2048	910	23				
Total	\$155,160	\$133,320	\$255,640	\$192,850	\$4,925	\$4,230

C. Advance Refundings

During fiscal year 2003, the advanced refunding of the 1992 Series C bonds allowed the Idaho Building Authority to reduce its aggregate debt service payments by approximately \$647,311 over the remaining term of the bonds. The refunding on the 1992 Series C bonds resulted in an economic gain of approximately \$580,644.

In prior years, the Idaho State Building Authority has defeased several bonds by placing governmental securities into irrevocable trusts that are sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

The remaining outstanding debt payable by the trust as of June 30, 2003, for each defeased bond issue follows:

Bond Issue	Amount Defeased	Remaining Liability
1978 Series A	\$15,284,300	\$7,500,000
1992 Series C	9,225,000	9,225,000
1992 Series D	1,820,000	1,820,000
1992 Series E	5,090,000	5,090,000

During the current period, Boise State University issued \$6,620,000 of Student Union Housing and System refunding and improvement bonds. Proceeds of the 2003 bonds, totaling \$6,670,979, were combined with other sources to fully refund \$6,740,000 outstanding from the 1993 Series Student Union and Housing System

Refunding and Revenue bonds. The result of this current refunding was that no debt related to the 1993 Series bonds was outstanding at June 30, 2003. The aggregate difference in debt service between the refunding debt and the refunded debt is \$424,660 and the net present value of savings due to refunding was \$337,614.

In prior years, the State's colleges and universities defeased bonds by refunding prior issues with a portion of current issues. Sufficient proceeds are invested in governmental securities and placed in escrow to assure timely payments of all future maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements. At June 30, 2003, \$12,445,000 of bonds outstanding are considered defeased.

D. Notes Payable

Notes outstanding at year end are as follows (*in thousands*):

Note Description	Interest Rates	Balance at June 30, 2003
College and University	2.10% to 8.00%	\$12,392

Note debt service requirements to maturity are as follows (*in thousands*):

Fiscal Year Ending June 30	Business-Type Activities	
	College and University	
	Principal	Interest
2004	\$1,075	\$414
2005	1,205	381
2006	1,204	342
2007	1,146	305
2008	1,132	267
2009 - 2013	5,135	698
2014 - 2018	1,493	111
2019 - 2023	2	
Total	\$12,392	\$2,518

E. Claims and Judgments

Claims and Judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State has recorded the following claims and judgments:

The *American Trucking Association Settlement Fund*, reported as a Transportation special revenue fund, was established by the Idaho Legislature to fund payment of a \$27,000,000 court-approved settlement. In April 2000, a lawsuit by the American Trucking Association (ATA) *et al.* versus the State of Idaho resulted in this agreement.

Of the initial \$27,000,000, the remaining balance is \$88,112. Monthly payments will be made until the balance is paid in full during fiscal year 2004.

The *Idaho Transportation Department State Highway Fund*, reported as a Transportation special revenue fund, experiences contractor claims for reimbursement of additional/extraordinary expenses incurred for the performance of construction contract requirements. The State has recorded an estimated liability of \$9,312,914 for contractor claims.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

The *Department of Agriculture Commodity Indemnity Account*, reported as an Agriculture and Natural Resources nonmajor special revenue fund, secures producers who have placed commodities in the hands of others for commodity distribution. In the event the distributor should fail to perform or commits fraud, the Commodity Indemnity Account reimburses the producer up to 90 percent of their initial investment. Due to a distributor's warehouse failure, an estimated \$1,126,000 in claims has been recorded, which are expected to be paid during September.

The *Department of Environmental Quality*, reported as an Agriculture and Natural Resources nonmajor special revenue fund, entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State match 10 percent of federal funds spent on actual remediation work and that the State meet all costs of future site operational and maintenance costs. The June 17, 2002, amended remediation cost estimate is \$129,574,000. The State's share is \$12,957,400. The State has already matched \$10,320,387, leaving a liability of \$2,637,013. The work is estimated to be complete in calendar year 2004 or 2005.

The State anticipates 500 acres of unremediated land will be transferred to the State in November 2003. The land's value has not been established but is estimated to be insignificant due to the poor access, topography, and unremediated condition of the land.

In August 2002 the Federal Government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and Federal Government have not negotiated or signed the State Superfund contract but expect to do so in the near future. The current estimate of the liability is \$360 million. Idaho's estimated liability is \$30.3 million for remediation costs. Washington State will match the remainder of the liability. The present value of operational and maintenance cost is currently estimated at \$41 million. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2003, are summarized as follows:

Long-Term Liabilities	Balances at July 1, 2002 As Adjusted	Increases	Reductions	Balances at June 30, 2003	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds	\$106,825,000	\$64,145,000	(\$15,810,000)	\$155,160,000	\$5,945,000
Less Deferred Amount					
Issuance Discount	(1,023,095)	(765,680)	252,934	(1,535,841)	
Total Bonds Payable	105,801,905	63,379,320	(15,557,066)	153,624,159	5,945,000
Capital Leases	4,121,331	433,295	(578,230)	3,976,396	690,223
Compensated Absences	40,635,469	43,894,265	(44,416,645)	40,113,089	40,113,089
Policy Claim Liabilities	40,644,617	(945,463)	(269,915)	39,429,239	6,710,638
Claims and Judgments	49,845,151		(6,377,194)	43,467,957	7,595,099
Net Pension Obligation	18,452	105,828		124,280	
Total Governmental Activity	\$241,066,925	\$106,867,245	(\$67,199,050)	\$280,735,120	\$61,054,049
Business-Type Activities:					
Revenue Bonds	\$261,510,000	\$24,175,000	(\$25,120,000)	\$260,565,000	\$7,290,000
Bond Premium	803,456	1,148,482		1,951,938	
Total Bonds Payable	262,313,456	25,323,482	(25,120,000)	262,516,938	7,290,000
Capital Leases	11,078,274		(4,613,945)	6,464,329	748,903
Compensated Absences	21,432,463	14,962,434	(16,185,261)	20,209,636	20,209,636
Claims and Judgments	1,726,081		(1,726,081)		
Notes Payable	12,594,418	200,000	(402,416)	12,392,002	1,074,895
Grand Prize Annuities Payable	9,181,000		(9,181,000)		
Total Business-Type Activity	\$318,325,692	\$40,485,916	(\$57,228,703)	\$301,582,905	\$29,323,434

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2003

The State Lottery changed its method of reporting investments and liabilities related to grand prizewinners receiving annuity payments from the Lottery. The State Lottery has irrevocably placed the funds within a trust; the trustee is instructed to use the funds solely for satisfying the future obligation to the prizewinner. The Lottery elected to defease the debt thereby eliminating both the long-term investment and related obligation from the financial statements. At June 30, 2003, \$70,446,145 of debt outstanding is considered defeased.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$624,345 of compensated absences, \$39,429,239 of policy claim liabilities, and \$557,781 of capital leases are included in the above amounts for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past, approximately 30 percent has been paid by the General Fund, 69 percent by special revenue funds, and the remainder by internal service funds and various other governmental funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk

Management funds; and claims and judgments will be liquidated by the special revenue funds indicated within this note.

G. Conduit Debt

The Idaho Water Resource Board (the Board), a separate entity established by *Idaho Code* within the Department of Water Resources and reported as a nonmajor enterprise Loan fund, has issued Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects it deems to be in the public interest. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State of Idaho or any political subdivision, or agency thereof, nor of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Conduit debt obligations do not include Water Resource Board bonds issued for the Dworshak Dam project that are disclosed elsewhere in this note and are reported in the financial statements. As of June 30, 2003, there were five series of Water Resource Bonds outstanding that qualified as conduit debt, with an aggregate principal amount payable of \$72,603,000.

NOTE 12. FUND EQUITY

Net Asset Restatements

The State Lottery, a major enterprise fund, changed its method of reporting investments and liabilities related to grand prizewinners receiving annuity payments. The State Lottery defeased the debt thereby eliminating both the long-term investment and related obligation from the financial statements. The cumulative effect of the change decreased beginning net assets for the year ended June 30, 2003, by \$6,539,132.

The Idaho College Savings Program was included as a private-purpose trust fund for fiscal year 2003. The program was created in fiscal year 2001 to help people save for the costs of higher education. The inclusion of the Program increased fiduciary beginning net assets by \$12,307,563.

NOTE 13. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

In *ISEEO, et al. v. Evans, et al.*, the plaintiffs allege that the current public school system does not provide a

“thorough” education as required by the *Idaho Constitution*. Plaintiffs allege that approximately \$700

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

million to \$1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. The district court most recently determined that the funding system does not provide constitutionally adequate facilities in some circumstances and indicated the court would take some unspecified action if the next session of the legislature does not address the court's concerns. At the time of the 2000 trial, the State vigorously contested the allegations that Idaho's system of financing public schools did not provide the means for providing a thorough education. Based upon remedial legislation passed in the 2000 session and after, the State asserts that the current system of financing public education provides the districts with resources to meet district court concerns, but some districts are not properly using those resources and may not be providing a thorough education with regard to educational facilities.

The 2003 Legislature enacted a statute giving school districts authority to impose an educational necessity levy to abate unsafe conditions in their schools upon a judicial determination that there are unsafe conditions. The school districts are challenging this law, and the district court ruled that the new law is unconstitutional. The Idaho Supreme Court will review the district court decision and will likely determine the constitutionality of the new law in 2004. If the plaintiffs were ultimately successful in obtaining a declaratory judgment that the remedial legislation has not facilitated a thorough education, and that judgment was upheld on appeal, the Legislature would need to address the declaratory judgment by providing the districts the means to obtain additional revenues.

As the result of a November 1998 Master Settlement Agreement between the five largest tobacco manufacturers and 46 states, Idaho expects to receive annual payments in perpetuity, subject to numerous adjustments. The State received \$26,653,835 during fiscal year 2003. Too many contingencies are associated with the calculation of the annual payments for the State to record an accounts receivable.

The State has a contingent liability for guarantee of qualified bond issuances. *Idaho Code*, Title 33, Chapter 53, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. Sales tax is pledged to guarantee full and timely payment for any qualified, defaulted bonds. As of June 30, 2003, the principal amount of qualified bonds outstanding to

school districts was \$208,384,000 and the interest amount was \$246,722,654.

The Public School Permanent Endowment Fund incurred losses of \$46,013,296 in fiscal year 2001 and \$71,461,327 in fiscal year 2002. Losses in fiscal year 2003 total \$1,884,387. *Idaho Code*, Title 57, Chapter 7, requires these losses be made up from the earnings reserve funds or, if those funds are insufficient, through legislative appropriation. The losses must be made up within four years and may be made up through market value increases. However, market value increases may be insufficient to recover all of the losses, in which case, the statute would require legislative appropriation to fund the remainder of the losses.

A case brought against the State by Indian tribes for reimbursement of past fuel taxes paid is pending. The liability to the State could range from \$5,000,000 to \$12,000,000.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible, at the present time, to estimate the ultimate outcome or liability, if any, of the State in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material adverse effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The opinion of the State is that these refunds, if any, will not have a significant effect on the financial position of the State.

Primary Government

The *Idaho Transportation Department* (Transportation major special revenue fund) faces a potential liability of \$26,608,325 for unpaid contractual claims. Historically, 35 percent of contractual claims are paid. A probable cost of \$9,312,914 has been recognized as a liability, with a remaining contingent liability of \$17,295,411.

A contingent liability exists for the Department of Insurance (Regulatory nonmajor special revenue fund), regarding investment premium tax credits, premium tax refunds, and retaliatory taxes on foreign insurers. This

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

contingent liability has not changed status (with the exception of the amount of the potential liability) from the prior year. Last year's estimated range of \$22,794,000 to \$42,635,000 has changed to \$29,780,000 to \$54,768,000.

The *Department of Finance* (Regulatory nonmajor special revenue fund) has a gain contingency of \$4,000,000 related to a securities case. Investment firms have tentatively negotiated a settlement agreement with Idaho to redress their inappropriate touting of stocks.

Component Unit

The *Idaho Life and Health Insurance Guaranty Association* has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is \$3,886,000 for Executive Life. Assessments for the shortfalls will be made in future periods as amounts become due, if necessary.

B. Commitments

Primary Government

The *Department of Correction* (General Fund) has a contract with Corrections Corporation of America to operate a 1,250 plus bed prison. The contract expires June 30, 2006. The estimated cost for fiscal year 2004 is \$18,190,000. The Department has a contract until June 30, 2004, with Prison Health Services, Inc., to provide medical services for inmates, for approximately \$12,052,400.

The *Department of Administration* (General Fund) has a total of \$7,099,697 in outstanding commitments for capital asset related construction projects underway at year-end.

The *Idaho Transportation Department* (Transportation major special revenue fund) has a total of \$121,272,990 in outstanding commitments for infrastructure and \$1,094,388 for other capital asset related construction projects underway at year-end.

The *Department of Juvenile Corrections* (Federal and Miscellaneous nonmajor special revenue funds and General Fund) contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$350 per day. The estimated cost for fiscal year 2004 is \$12,386,100.

The *Dairy Products Commission* (Agriculture and Natural Resources nonmajor special revenue fund) annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2003 advertising pool commitment will not exceed \$5,000,000.

The *Idaho Department of Parks and Recreation* (Agriculture and Natural Resources nonmajor special revenue fund) is a party in a land sale contract with a promise to pay \$3,600,000 to the Nature Conservancy. Currently, the Idaho Department of Parks and Recreation (IDPR) has approximately \$1,300,000 in equity. In the event payment is not made, IDPR and the Nature Conservancy will hold undivided ownership interest in the real property.

The *Idaho State Building Authority* (nonmajor special revenue fund) has unexpended amounts under outstanding contracts for construction of the new Idaho Water Center in Boise totaling approximately \$37,815,000. During the year ended June 30, 2003, the Authority entered into an agreement for financing and development of the Idaho Water Center with the Idaho Department of Water Resources, the Regents of the University of Idaho, and University of Idaho Foundation, Inc. The reimbursement amount is limited to the amount of the actual project savings when compared to the project budgeted amount of approximately \$48,000,000. As the project is still under construction, the exact reimbursement amount is not determinable.

The *colleges and universities* (major enterprise fund) estimate costs of \$49,382,103 to complete a variety of capital asset construction in progress projects at June 30, 2003.

On June 25, 2003, the Commissioners of the State Lottery (major enterprise fund) approved a total transfer of \$20,500,000 to the School District Building Fund and the State Permanent Building Fund. The transfers were made in July of 2003. Additionally, the State Lottery has contracted with GTECH, Inc., to pay 2.99 percent of gross, weekly on-line ticket sales plus \$16,000 per week and \$75 per instant ticket vending machine placed in service per month for ongoing facilities management services and \$10,000 per week for license fees, \$96 per wireless system per month plus a \$250 installation fee per system. The State Lottery paid \$2,642,721 to GTECH, Inc., for the fiscal year ended June 30, 2003.

The *Department of Environmental Quality* (Loan nonmajor enterprise fund) administers two revolving loan funds. The funds provide a financing source for the

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003**

construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2003, the Clean Water Loan Fund had loan commitments of \$41,150,181 that are funded with approximately 83 percent federal funds and 17 percent state matching dollars. The Drinking Water Loan Fund had \$18,251,067 of loan

commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. The Department of Environmental Quality also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$3,442,432.



NOTE 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2003, the following events occurred:

The *State Building Authority's* Commissioners authorized the reimbursement of \$1,000,000 to the University of Idaho Foundation for the predevelopment expenses met by the Foundation. Additionally, the Authority issued bonds totaling \$64,795,000 for seven separate projects related to site leases, facility leases, and development agreements.

Idaho State University issued General Refunding and Improvement Revenue Bonds, Series 2003, in the amount of \$35,895,000. The bonds were issued to

provide funding for two University Projects (\$26,744,798), refund two University bank notes (\$1,355,117), and advance refund the University's Student Facilities Fee Revenue Bonds, Series 1993 and 1995 (\$7,795,085).

Lewis-Clark State College entered into a secured note payable in the principal amount of \$1,126,307. The funds are to be used to help construct the Lewis-Clark State College Multipurpose Student Activity Center.

Required Supplementary Information

How Long is the Snake River?

The Snake River originates in Yellowstone National Park at 9,500 feet elevation and winds through southern Idaho before turning north to form the boundary between Idaho and Oregon.



The Snake River Outside of Twin Falls
Photo Courtesy of the Idaho Department of Commerce



The Snake River Outside of Twin Falls
Photo Courtesy of the Idaho Department of Commerce

The Snake joins the Columbia River near Pasco, Washington, at 340 feet elevation: a journey of over 1,036 miles from its headwaters. According to Bill Gulic in his book *SNAKE RIVER COUNTRY*, the Snake drains 109,000 square miles and contributes 36 million acre-feet of water to the Columbia, ranking 6th in volume among the nation's rivers.

State of Idaho

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$834,380,863	\$834,380,863	\$834,380,863	-
Individual and Corporate Taxes	1,153,108,527	1,153,108,527	1,153,108,527	-
Other Taxes	47,355,698	47,355,698	47,355,698	-
Licenses, Permits, and Fees	23,158,171	23,158,171	23,158,171	-
Sale of Goods and Services	5,044,901	5,044,901	5,044,901	-
Grants and Contributions	1,786,200	1,786,200	1,786,200	-
Investment Income	20,143,950	20,143,950	20,143,950	-
Tobacco Settlement	23,772,414	23,772,414	23,772,414	-
Other Income	60,235,680	60,235,680	60,235,680	-
Total Revenues	2,168,986,404	2,168,986,404	2,168,986,404	
EXPENDITURES				
General Government	684,444,309	570,172,359	511,766,467	\$58,405,892
Public Safety and Correction	194,334,171	185,645,827	179,101,712	6,544,115
Health and Human Services	18,395,893	18,395,893	18,313,398	82,495
Education	1,394,083,712	1,393,676,166	1,340,450,431	53,225,735
Economic Development	25,536,440	24,955,185	20,969,224	3,985,961
Natural Resources	25,507,765	30,441,875	27,695,334	2,746,541
Total Expenditures	\$2,342,302,290	\$2,223,287,305	2,098,296,566	\$124,990,739
Revenues Over (Under) Expenditures			70,689,838	
OTHER FINANCING SOURCES (USES)				
Transfers In			139,069,368	
Transfers Out			(602,503,943)	
Total Other Financing Sources (Uses)			(463,434,575)	
Revenues and Other Financing Sources Over (Under)			(392,744,737)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(227,391,305)	
Changes Affected by Accrued Expenditures			442,733,594	
Fund Balances - Beginning of Year			364,585,171	
Fund Balances - End of Year			\$187,182,723	

The accompanying notes are an integral part of the financial statements.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$1,711,345	\$1,711,345	\$1,711,345	-	\$203,803,229	\$203,803,229	\$203,803,229	-
4,126,359	4,126,359	4,126,359	-	101,043,435	101,043,435	101,043,435	-
67,546,358	67,546,358	67,546,358	-	3,907,996	3,907,996	3,907,996	-
798,319,062	798,319,062	798,319,062	-	218,526,925	218,526,925	218,526,925	-
185,473	185,473	185,473	-	5,684,430	5,684,430	5,684,430	-
11,331,145	11,331,145	11,331,145	-	5,628,617	5,628,617	5,628,617	-
883,219,742	883,219,742	883,219,742		538,594,632	538,594,632	538,594,632	
1,229,152,833	1,276,447,781	1,246,653,580	\$29,794,201	711,045,336	713,279,521	536,605,769	\$176,673,752
\$1,229,152,833	\$1,276,447,781	1,246,653,580	\$29,794,201	\$711,045,336	\$713,279,521	536,605,769	\$176,673,752
		(363,433,838)				1,988,863	
		351,058,200					
		(62,868)				(14,535,997)	
		350,995,332				(14,535,997)	
		(12,438,506)				(12,547,134)	
		101,029,419				16,104,545	
		(81,843,951)				1,519,955	
		(6,445,647)				107,466,340	
		\$301,315				\$112,543,706	

Required Supplementary Information

Note to Required Supplementary Information - Budgetary Reporting

For the Fiscal Year Ended June 30, 2003

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliation at the bottom of the budget and actual

statement shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual statement reflects budgeted revenues as being equal to actual revenues.

Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2003

Under GASB Statement No. 34, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, states report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of eligible assets and summarize the results using a measurement scale,
- Annually estimate the cost to maintain and preserve the assets at the condition level established, and
- Document the condition level at which the assets are being actually preserved and maintained.

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,831 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness—Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 to 5.0 (0.0 being extremely rough and 5.0 being smooth).

A South Dakota-type Profilometer is currently used by ITD to obtain pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle which travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking)—Pavement distress, or cracking, is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based on this input, a cracking index (CI) is calculated for each section. The CI is a rating very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2003

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the cracking index or roughness index to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	>=2.5 (CI or RI) <=3.0	>=2.0 (CI or RI) <=3.0
Poor	>=2.0 (CI or RI) <2.5	>=1.5 (CI or RI) <2.0
Very Poor	(CI or RI) <2.0	(CI or RI) <1.5

Established Condition Level

No more than 18% of the pavements shall be in poor or very poor condition.

Assessed Conditions

Most Recent Three Complete Condition Assessments
Percentage of Total Lane Miles per Pavement Condition

	2002		2001		2000	
Good	7,267	61%	7,094	60%	6,833	58%
Fair	2,801	24%	2,610	22%	2,777	24%
Poor	1,170	10%	1,255	11%	1,176	10%
Very Poor	593	5%	820	7%	970	8%
Total Lane	11,831		11,779		11,756	

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level presented above, and the actual amount spent during the past five fiscal years:

	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999
Estimated	\$65,200,000	\$63,922,000	\$62,000,000	\$61,543,539	\$60,312,668	\$59,106,415
Actual		78,133,000	57,259,654	68,277,884	69,267,561	57,254,828

Actual costs exceeded estimated costs by 22 percent. This variance was largely due to improvement in the process of assigning work-type codes to projects such as capital vs. maintenance.

Required Supplementary Information
Pension Related

Schedule of Funding Progress – Judges Retirement Fund (dollars in millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial	Actuarial	Accrued	PV of	Unfunded	Funded	Annual	UAAL as a
Valuation	Market	Liability (AAL)	Future ORP	AAL (UAAL)	Ratios	Covered	Percentage
Date	Value	Entry Age	Contributions	(2) - (1) - (3)	(1) : (2 - 3)	Payroll	of Covered
	of Assets						Payroll
							(4) : (6)
7/1/00	\$58.4	\$54.7		(\$3.7)	106.8%	\$4.4	0%
7/1/01	No Valuation	No Valuation	No Valuation	No Valuation	No Valuation	No Valuation	No Valuation
7/1/02	\$46.9	\$63.1		\$16.2	74.3%	\$4.6	352%
7/1/03	\$46.8	\$59.9		\$13.0	78.1%	\$4.6	284%

Actuarial valuations are performed biennially.

Retirement Actuarial Information

The required supplementary information presented in this report was determined as part of the actuarial valuations as of the dates indicated. The following tables present the notes to the required supplementary information, which contain additional information as of the latest actuarial valuations:

	<u>PERSI Plan</u>	<u>Judges' Retirement Fund</u>
Valuation date	July 1, 2003	July 1, 2003
Actuarial cost method	Entry Age Actuarial Cost	Entry Age Actuarial Cost
Amortization method	Level Percentage of Projected Payroll	Level Percentage of Projected Payroll
Remaining amortization period under the open approach	25 years - Open	25 years - Open
Asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	8.00%	7.50%
Projected salary increases	5.5% - 11.8%	3.00%
- Includes salary inflation	4.75%	
Postretirement benefit increase	1.00%	3.00%
Inflation rate	4.00%	N/A

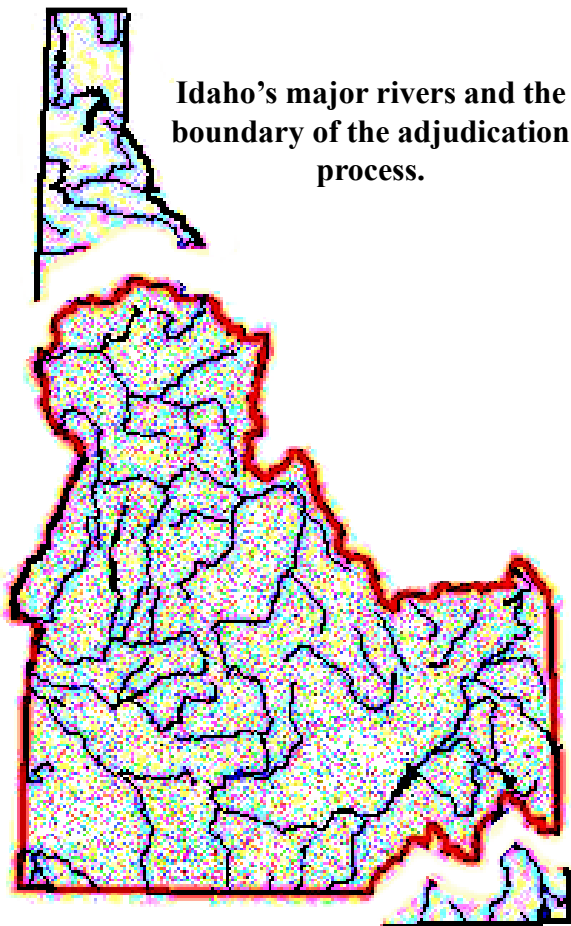


Combining Financial Statements

Snake River Adjudication Process

Idaho's lifeblood—the Snake River—merits wise production, protection, and conservation. To this end, Idaho is undergoing a statutorily-created lawsuit (general adjudication) to inventory all surface and ground water rights in the entire stream system of the Snake River. Launched in 1987, this process, the Snake River Basin Adjudication (SRBA), includes claims for all uses of water: surface water, groundwater, agricultural, industrial, hydropower, aquaculture, non-consumptive reservations, domestic, municipal, and federal reserved

rights. These claims include all or part of 38 Idaho counties, thousands of water users, and encompass approximately 87 percent of the State. Individuals, corporations, the State of Idaho, cities, counties, the Federal government, Native American tribes and other entities are parties to the SRBA. To date over 150,000 water right claims have been filed with the Idaho Department of Water Resources (IDWR), which serves as an independent expert and technical assistant by law.



**Idaho's major rivers and the
boundary of the adjudication
process.**

The adjudication is managed in a specially created court system using Special Masters to conduct hearings and make recommendations to the Presiding Judge. Judge Daniel Hulbutt, Jr. was first appointed to this large and complex case. Since his retirement in 1998, Judge Barry Wood and now Judge Roger Burdick preside over the SRBA. As of February 2001, the presiding judge has issued over 86,000 partial decrees—defining the elements of each water right in the entire Snake River Basin. More claims must be decided with special focus on priority dates of water rights and the quantity of water that will be awarded for different types of uses. SRBA information is available on the Internet at www.srba.state.id.us or by contacting the IDWR Adjudication Hotline at 800-451-4129.

Map obtained from the Idaho Department of Water Resources website
"Make a Map" tool (and reformatted by the State Controller's Office).



NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues designated to finance specific functions of government. The following provides a brief description of the nonmajor special revenue funds.

The AGRICULTURE AND NATURAL RESOURCES FUND accounts for revenues and expenditures associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided from dedicated user fees, sale of services or goods, and various other sources.

The REGULATORY FUND accounts for revenues and expenditures associated with various professional licensing and monitoring functions. The major source of funding is license fees.

The FISH AND GAME FUND accounts for revenues and expenditures associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. Funding is provided from dedicated user fees and federal grants.

The FEDERAL FUND accounts for a portion of the revenues and expenditures associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The MISCELLANEOUS FUND accounts for revenues, expenditures, and other financial activities associated with general government services where the major source of funding is provided by fees, sale of services or goods, or other income restricted to expenditure for specific purposes.

The IDAHO STATE BUILDING AUTHORITY accounts for construction and financing of facilities, such as office buildings and parking garages to be used by the State. The Building Authority is a blended component unit.

State of Idaho
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash Equity with Treasurer	\$54,005,788	\$40,565,004	\$8,479,251	\$9,890,477
Cash and Cash Equivalents	9,867,900	5,504,757	711,374	434,199
Investments	5,350,848	362,992	14,882,481	4,896,312
Accounts Receivable, Net	2,205,459	130,167	112,179	147,870
Taxes Receivable, Net	1,943,820			
Due from/Advance to Other Funds	1,046,079	14,828		43,871
Due from Other Entities	1,937,696		6,193,588	13,812,482
Inventory	447,201	8,231	6,692,698	120,812
Loans and Notes Receivable, Net	7,233,029	89,317	413,100	
Other Assets	1,516,329	206,644	257,113	355,694
Total Assets	\$85,554,149	\$46,881,940	\$37,741,784	\$29,701,717
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$1,691,020	\$21,695	\$1,386,730	\$8,455,535
Due to/Advance from Other Funds	450,793	13,299	57,996	2,243,018
Due to Other Entities	8,269			
Deferred Revenue	8,288,740	887,620	452,104	3,437,235
Deposits	1,775,078	4,535,842	5,000	
Other Accrued Liabilities	3,162,570	1,723,317	3,155,046	4,846,635
Total Liabilities	15,376,470	7,181,773	5,056,876	18,982,423
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	5,639,160	134,851	3,377,852	3,657,731
Inventory and Prepaid Items	1,453,133	211,236	6,692,698	398,904
Advances/Loans and Notes Receivable	8,183,028	104,146	413,100	
Other Purposes	4,962,998			
Unreserved, Reported in:				
Special Revenue Funds	49,939,360	39,249,934	22,201,258	6,662,659
Total Fund Balances	70,177,679	39,700,167	32,684,908	10,719,294
Total Liabilities and Fund Balances	\$85,554,149	\$46,881,940	\$37,741,784	\$29,701,717

Miscellaneous	Building Authority	Total
\$53,414,602		\$166,355,122
14,096,200	\$4,833,128	35,447,558
13,195,258	46,841,904	85,529,795
3,213,230		5,808,905
1,396,135		3,339,955
379,517		1,484,295
		21,943,766
130,526		7,399,468
		7,735,446
488,845	42,695	2,867,320
\$86,314,313	\$51,717,727	\$337,911,630

\$617,810	\$1,922,634	\$14,095,424
66,719		2,831,825
		8,269
2,734,789	661,161	16,461,649
26,430		6,342,350
2,068,435		14,956,003
5,514,183	2,583,795	54,695,520

	46,979,953	46,979,953
1,162,169		13,971,763
458,417		9,214,388
170,102		8,870,376
12,841,778	161,809	17,966,585
66,167,664	1,992,170	186,213,045
80,800,130	49,133,932	283,216,110
\$86,314,313	\$51,717,727	\$337,911,630

State of Idaho
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	\$4,844,831			
Other Taxes	25,825,588	\$67,556,387		
Licenses, Permits, and Fees	26,073,343	35,489,237	\$29,742,353	\$380,184
Sale of Goods and Services	2,387,488	755,381	98,379	2,758,880
Grants and Contributions	16,288,362	13,322	27,508,013	279,364,760
Investment Income	1,715,119	209,170	1,685,659	365,250
Other Income	7,353,212	850,679	2,975,876	199,460
Total Revenues	84,487,943	104,874,176	62,010,280	283,068,534
EXPENDITURES				
General Government	345,792	1,628,644		27,327,765
Public Safety and Correction	5,400	2,675,374		13,878,640
Education	308,746		136,563	152,234,848
Economic Development	31,550,940	32,308,713	100,000	76,239,130
Natural Resources	57,833,736	694,822	53,071,945	8,641,009
Capital Outlay	5,636,937	470,071	7,437,715	3,343,090
Total Expenditures	95,681,551	37,777,624	60,746,223	281,664,482
Revenues Over (Under) Expenditures	(11,193,608)	67,096,552	1,264,057	1,404,052
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Transfers In	16,133,686			424,004
Transfers Out	(6,162,453)	(61,580,606)		(437,437)
Total Other Financing Sources (Uses)	9,971,233	(61,580,606)		(13,433)
Net Change in Fund Balances	(1,222,375)	5,515,946	1,264,057	1,390,619
Fund Balances - Beginning of Year	71,400,054	34,184,221	31,420,851	9,328,675
Fund Balances - End of Year	\$70,177,679	\$39,700,167	\$32,684,908	\$10,719,294

Miscellaneous	Building Authority	Total
		\$4,844,831
\$23,664,363		117,046,338
10,306,227		101,991,344
23,378,571	\$10,369,853	39,748,552
4,359,452		327,533,909
6,386,568	461,582	10,823,348
10,023,090		21,402,317
78,118,271	10,831,435	623,390,639
8,589,237	23,038,640	60,930,078
33,754,968		50,314,382
11,705,385		164,385,542
35,143,930		175,342,713
1,305,265		121,546,777
4,270,360	8,732,496	29,890,669
94,769,145	31,771,136	602,410,161
(16,650,874)	(20,939,701)	20,980,478
	64,145,000	64,145,000
	(763,523)	(763,523)
18,768,132		35,325,822
(1,917,964)		(70,098,460)
16,850,168	63,381,477	28,608,839
199,294	42,441,776	49,589,317
80,600,836	6,692,156	233,626,793
\$80,800,130	\$49,133,932	\$283,216,110

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,804,831	\$4,804,831	\$4,804,831	-
Other Taxes	25,316,372	25,316,372	25,316,372	-
Licenses, Permits, and Fees	27,818,341	27,818,341	27,818,341	-
Sale of Goods and Services	2,331,269	2,331,269	2,331,269	-
Grants and Contributions	17,764,474	17,764,474	17,764,474	-
Investment Income	1,745,557	1,745,557	1,745,557	-
Other Income	3,927,608	3,927,608	3,927,608	-
Total Revenues	83,708,452	83,708,452	83,708,452	
EXPENDITURES				
General Government	12,500	401,118	345,792	\$55,326
Public Safety and Correction	165,247	165,247	5,400	159,847
Health and Human Services				
Education	1,082,029	1,082,029	401,861	680,168
Economic Development	35,922,513	35,940,912	31,723,572	4,217,340
Natural Resources	84,350,482	87,003,830	63,889,562	23,114,268
Total Expenditures	\$121,532,771	\$124,593,136	96,366,187	\$28,226,949
Revenues Over (Under) Expenditures			(12,657,735)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Transfers In			16,133,686	
Transfers Out			(6,162,453)	
Total Other Financing Sources (Uses)			9,971,233	
Revenues and Other Financing Sources Over (Under)			(2,686,502)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			779,491	
Changes Affected by Accrued Expenditures			684,636	
Fund Balances - Beginning of Year			71,400,054	
Fund Balances - End of Year			\$70,177,679	

continued

Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$72,688,563	\$72,688,563	\$72,688,563	-				
35,534,043	35,534,043	35,534,043	-	\$30,303,659	\$30,303,659	\$30,303,659	-
671,400	671,400	671,400	-	101,021	101,021	101,021	-
13,322	13,322	13,322	-	26,404,905	26,404,905	26,404,905	-
209,170	209,170	209,170	-	1,169,100	1,169,100	1,169,100	-
850,484	850,484	850,484	-	3,244,451	3,244,451	3,244,451	-
109,966,982	109,966,982	109,966,982		61,223,136	61,223,136	61,223,136	
1,648,503	1,648,503	1,648,503	-				
3,048,466	3,053,526	2,702,947	\$350,579				
				952,229	952,229	427,058	\$525,171
37,688,909	37,821,964	34,327,676	3,494,288	100,000	100,000	100,000	-
844,726	844,728	692,746	151,982	70,894,182	73,845,491	61,378,262	12,467,229
\$43,230,604	\$43,368,721	39,371,872	\$3,996,849	\$71,946,411	\$74,897,720	61,905,320	\$12,992,400
		70,595,110				(682,184)	
		(61,580,606)					
		(61,580,606)					
		9,014,504				(682,184)	
		(5,092,806)				787,144	
		1,594,248				1,159,097	
		34,184,221				31,420,851	
		\$39,700,167				\$32,684,908	

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	\$380,184	\$380,184	\$380,184	-
Sale of Goods and Services	2,853,524	2,853,524	2,853,524	-
Grants and Contributions	292,663,054	292,663,054	292,663,054	-
Investment Income	166,825	166,825	166,825	-
Other Income	196,616	196,616	196,616	-
Total Revenues	296,260,203	296,260,203	296,260,203	
EXPENDITURES				
General Government	33,756,795	39,629,081	30,515,423	\$9,113,658
Public Safety and Correction	18,488,765	19,989,536	15,946,572	4,042,964
Health and Human Services	3,003	3,003		3,003
Education	149,802,056	182,246,067	164,384,882	17,861,185
Economic Development	78,443,274	81,993,174	77,049,981	4,943,193
Natural Resources	13,118,656	13,768,655	9,362,112	4,406,543
Total Expenditures	\$293,612,549	\$337,629,516	297,258,970	\$40,370,546
Revenues Over (Under) Expenditures			(998,767)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Transfers In			424,004	
Transfers Out			(437,437)	
Total Other Financing Sources (Uses)			(13,433)	
Revenues and Other Financing Sources Over (Under)			(1,012,200)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(13,191,669)	
Changes Affected by Accrued Expenditures			15,594,488	
Fund Balances - Beginning of Year			9,328,675	
Fund Balances - End of Year			\$10,719,294	

continued

Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$20,143,311	\$20,143,311	\$20,143,311	-				
10,231,856	10,231,856	10,231,856	-				
15,724,067	15,724,067	15,724,067	-	\$10,369,853	\$10,369,853	\$10,369,853	-
2,502,892	2,502,892	2,502,892	-				
6,097,486	6,097,486	6,097,486	-	461,582	461,582	461,582	-
9,843,922	9,843,922	9,843,922	-				
64,543,534	64,543,534	64,543,534		10,831,435	10,831,435	10,831,435	
9,011,615	9,168,500	8,665,381	\$503,119	31,771,136	31,771,136	31,771,136	-
39,679,391	41,203,981	35,387,700	5,816,281				
11,212,148	18,907,118	12,508,075	6,399,043				
48,833,794	49,197,317	37,664,373	11,532,944				
3,113,512	3,113,518	1,331,635	1,781,883				
\$111,850,460	\$121,590,434	95,557,164	\$26,033,270	\$31,771,136	\$31,771,136	31,771,136	
		(31,013,630)				(20,939,701)	
						64,145,000	
						(763,523)	
		18,768,132					
		(1,917,964)					
		16,850,168				63,381,477	
		(14,163,462)				42,441,776	
		13,574,737					
		788,019					
		80,600,836				6,692,156	
		\$80,800,130				\$49,133,932	

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Total			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,804,831	\$4,804,831	\$4,804,831	-
Other Taxes	118,148,246	118,148,246	118,148,246	-
Licenses, Permits, and Fees	104,268,083	104,268,083	104,268,083	-
Sale of Goods and Services	32,051,134	32,051,134	32,051,134	-
Grants and Contributions	339,348,647	339,348,647	339,348,647	-
Investment Income	9,849,720	9,849,720	9,849,720	-
Other Income	18,063,081	18,063,081	18,063,081	-
Total Revenues	626,533,742	626,533,742	626,533,742	
EXPENDITURES				
General Government	76,200,549	82,618,338	72,946,235	\$9,672,103
Public Safety and Correction	61,381,869	64,412,290	54,042,619	10,369,671
Health and Human Services	3,003	3,003		3,003
Education	163,048,462	203,187,443	177,721,876	25,465,567
Economic Development	200,988,490	205,053,367	180,865,602	24,187,765
Natural Resources	172,321,558	178,576,222	136,654,317	41,921,905
Total Expenditures	\$673,943,931	\$733,850,663	622,230,649	\$111,620,014
Revenues Over (Under) Expenditures			4,303,093	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			64,145,000	
Discount on Bonds Issued			(763,523)	
Transfers In			35,325,822	
Transfers Out			(70,098,460)	
Total Other Financing Sources (Uses)			28,608,839	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			32,911,932	
Reconciling Items				
Changes Affected by Accrued Revenues			(3,143,103)	
Changes Affected by Accrued Expenditures			19,820,488	
Fund Balances - Beginning of Year			233,626,793	
Fund Balances - End of Year			\$283,216,110	

*State of Idaho***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Permanent Funds****For the Fiscal Year Ended June 30, 2003***continued*

	Public School Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$35,856,043	\$35,856,043	\$35,856,043	-
Investment Income	7,668,470	7,668,470	7,668,470	-
Other Income	957,565	957,565	957,565	-
Total Revenues	44,482,078	44,482,078	44,482,078	
EXPENDITURES				
Natural Resources	12,266,142	12,272,768	11,156,980	\$1,115,788
Total Expenditures	\$12,266,142	\$12,272,768	11,156,980	\$1,115,788
Revenues Over (Under) Expenditures			33,325,098	
OTHER FINANCING SOURCES (USES)				
Transfers Out			(37,056,500)	
Total Other Financing Sources (Uses)			(37,056,500)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(3,731,402)	
Reconciling Items				
Changes Affected by Accrued Expenditures			(791,422)	
Fund Balances - Beginning of Year			444,359,775	
Fund Balances - End of Year			\$439,836,951	

*State of Idaho***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Permanent Funds****For the Fiscal Year Ended June 30, 2003***continued*

	Pooled Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$15,646,066	\$15,646,066	\$15,646,066	-
Investment Income	3,882,695	3,882,695	3,882,695	-
Other Income	296,199	296,199	296,199	-
Total Revenues	19,824,960	19,824,960	19,824,960	
EXPENDITURES				
Natural Resources	5,772,302	5,772,302	5,250,343	\$521,959
Total Expenditures	\$5,772,302	\$5,772,302	5,250,343	\$521,959
Revenues Over (Under) Expenditures			14,574,617	
OTHER FINANCING SOURCES (USES)				
Transfers Out			(19,925,000)	
Total Other Financing Sources (Uses)			(19,925,000)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(5,350,383)	
Reconciling Items				
Changes Affected by Accrued Expenditures			(398,919)	
Fund Balances - Beginning of Year			219,469,212	
Fund Balances - End of Year			\$213,719,910	

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2003

	Total			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$51,502,109	\$51,502,109	\$51,502,109	-
Investment Income	11,551,165	11,551,165	11,551,165	-
Other Income	1,253,764	1,253,764	1,253,764	-
Total Revenues	64,307,038	64,307,038	64,307,038	
EXPENDITURES				
Natural Resources	18,038,444	18,045,070	16,407,323	\$1,637,747
Total Expenditures	\$18,038,444	\$18,045,070	16,407,323	\$1,637,747
Revenues Over (Under) Expenditures			47,899,715	
OTHER FINANCING SOURCES (USES)				
Transfers Out			(56,981,500)	
Total Other Financing Sources (Uses)			(56,981,500)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(9,081,785)	
Reconciling Items				
Changes Affected by Accrued Expenditures			(1,190,341)	
Fund Balances - Beginning of Year			663,828,987	
Fund Balances - End of Year			\$653,556,861	



NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the nonmajor enterprise funds.

The LOAN FUND provides loans to Idaho municipalities to make improvements to their wastewater and drinking water systems. Funds are loaned to cities and counties for construction and improvement projects. As the loans are paid back to the State, new loans are made to other cities and counties.

The LIQUOR DISPENSARY'S purpose is to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. A portion of the surplus from the Fund is transferred to the State's General Fund and other funds as dictated by *Idaho Code*. The balance, after the above authorized transfers, is then distributed 40 percent to counties and 60 percent to cities.

The CORRECTIONAL INDUSTRIES provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

State of Idaho
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003

	Loan	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash Equity with Treasurer	\$3,525,960	\$6,813,685	\$1,362,401	\$11,702,046
Cash and Cash Equivalents		200		200
Accounts Receivable, Net		136,913	536,519	673,432
Due from Other Funds			325,034	325,034
Inventory		7,599,977	1,065,609	8,665,586
Loans and Notes Receivable, Net	3,950,257			3,950,257
Other Current Assets	1,173,935	129,853	164,273	1,468,061
Total Current Assets	8,650,152	14,680,628	3,453,836	26,784,616
Noncurrent Assets				
Restricted Cash and Cash Equivalents	80,057,133			80,057,133
Loans and Notes Receivable, Net	85,955,050			85,955,050
Capital Assets, Net	5,059,051	3,418,194	1,018,132	9,495,377
Total Noncurrent Assets	171,071,234	3,418,194	1,018,132	175,507,560
Total Assets	\$179,721,386	\$18,098,822	\$4,471,968	\$202,292,176
LIABILITIES				
Current Liabilities				
Accounts Payable		\$6,584,635	\$181,389	\$6,766,024
Due to Other Funds		34,387		34,387
Other Accrued Liabilities	\$735,786	423,757	172,903	1,332,446
Compensated Absences Payable	156	466,118	93,366	559,640
Bonds and Notes Payable	60,000			60,000
Total Current Liabilities	795,942	7,508,897	447,658	8,752,497
Noncurrent Liabilities				
Bonds and Notes Payable	4,865,000			4,865,000
Total Noncurrent Liabilities	4,865,000			4,865,000
Total Liabilities	5,660,942	7,508,897	447,658	13,617,497
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	134,051	3,418,194	1,018,132	4,570,377
Restricted for:				
Environmental Loans	173,926,393			173,926,393
Unrestricted		7,171,731	3,006,178	10,177,909
Total Net Assets	174,060,444	10,589,925	4,024,310	188,674,679
Total Liabilities and Net Assets	\$179,721,386	\$18,098,822	\$4,471,968	\$202,292,176

State of Idaho
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Loan	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees	\$38,716	\$1,755		\$40,471
Sale of Goods and Services	3,659,772	77,853,225	\$4,507,739	86,020,736
Sale of Goods and Services Pledged for Revenue Bonds	409,093			409,093
Grants and Contributions	11,192,807			11,192,807
Other Income	307	16,746		17,053
Total Operating Revenues	15,300,695	77,871,726	4,507,739	97,680,160
OPERATING EXPENSES				
Personnel Costs	3,181	6,509,153	1,827,796	8,340,130
Services and Supplies	188,461	46,202,429	2,731,356	49,122,246
Depreciation	137,040	138,415	182,203	457,658
Other Expenses	8,218	15,813,871	157,601	15,979,690
Total Operating Expenses	336,900	68,663,868	4,898,956	73,899,724
Operating Income (Loss)	14,963,795	9,207,858	(391,217)	23,780,436
NONOPERATING REVENUES (EXPENSES)				
Investment Income	2,959,415	321,291	63,780	3,344,486
Interest Expense	(735,586)			(735,586)
Other Nonoperating Revenues (Expenses)		1,621	(528,005)	(526,384)
Total Nonoperating Revenues (Expenses)	2,223,829	322,912	(464,225)	2,082,516
Income (Loss) Before Transfers	17,187,624	9,530,770	(855,442)	25,862,952
Transfers In	2,900,000			2,900,000
Transfers Out		(8,295,000)		(8,295,000)
Change in Net Assets	20,087,624	1,235,770	(855,442)	20,467,952
Total Net Assets - Beginning of Year	153,972,820	9,354,155	4,879,752	168,206,727
Total Net Assets - End of Year	\$174,060,444	\$10,589,925	\$4,024,310	\$188,674,679

State of Idaho

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003**

	Loan	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$20,738,260	\$77,777,294	\$621,639	\$99,137,193
Receipts from Other Funds	1,059,555	15,480	3,541,403	4,616,438
Receipts from Grants and Contributions	11,197,322			11,197,322
Payments to Suppliers	(19,936,053)	(46,826,112)	(2,430,319)	(69,192,484)
Payments to Employees for Services	(3,141)	(6,505,982)	(1,849,921)	(8,359,044)
Payments to Other Funds	(955,563)	(211,500)		(1,167,063)
Other Receipts (Payments)	13,130	(13,286,300)	(252,235)	(13,525,405)
Net Cash Provided (Used) by Operating Activities	12,113,510	10,962,880	(369,433)	22,706,957
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	2,900,000			2,900,000
Transfers Out		(8,295,000)		(8,295,000)
Interest Paid	(369,093)			(369,093)
Net Cash Provided (Used) by Noncapital Financing Activities	2,530,907	(8,295,000)		(5,764,093)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Disposition of Capital Assets		1,621		1,621
Acquisition and Construction of Capital Assets		(2,589,679)	(11,449)	(2,601,128)
Net Cash Provided (Used) by Capital and Related Financing Activities		(2,588,058)	(11,449)	(2,599,507)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	2,959,415	321,291	63,780	3,344,486
Net Cash Provided (Used) by Investing Activities	2,959,415	321,291	63,780	3,344,486
Net Increase (Decrease) in Cash and Cash Equivalents	17,603,832	401,113	(317,102)	17,687,843
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	65,979,261	6,412,772	1,679,503	74,071,536
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	\$83,583,093	\$6,813,885	\$1,362,401	\$91,759,379
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$14,963,795	\$9,207,858	(\$391,217)	\$23,780,436
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	137,040	138,415	182,203	457,658
Investments	(366,495)			(366,495)
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due from Other Funds		(78,951)	(190,800)	(269,751)
Inventory		(544,120)	291,989	(252,131)
Notes Receivable	(3,571,577)			(3,571,577)
Other Current Assets	624,211	(3,241)	(153,897)	467,073
Accounts Payable/Due to Other Funds	(40,000)	2,279,101	9,048	2,248,149
Deferred Revenue		(39,353)		(39,353)
Compensated Absences	27	(32,010)	93,366	61,383
Other Accrued Liabilities	366,509	35,181	(210,125)	191,565
Net Cash Provided (Used) by Operating Activities	\$12,113,510	\$10,962,880	(369,433)	\$22,706,957

Noncash Transactions: Capital assets were disposed at a loss of \$528,005 for Correctional Industries.

INTERNAL SERVICE FUNDS account for the operation of state agencies, which provide goods or services to other state agencies and other governmental units on a cost reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The GROUP INSURANCE FUND, enabled through *Idaho Code*, section 67-5760, is administered by the Department of Administration. It provides health insurance to all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The RISK MANAGEMENT FUND accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using an optimal combination of self-insurance and private excess insurance.

The GENERAL SERVICES FUND accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The DATA PROCESSING SERVICES FUND accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

State of Idaho
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Cash Equity with Treasurer	\$30,397,027	\$9,130,900	\$3,121,360	\$1,251,160	\$43,900,447
Cash and Cash Equivalents	1,099,013	546,524			1,645,537
Investments	2,377,938				2,377,938
Accounts Receivable, Net		1,169	294,487		295,656
Due from Other Funds		4,610	186,971	458,042	649,623
Inventory			684,559	17,914	702,473
Other Current Assets	363,965	181,005	150,064	343,468	1,038,502
Total Current Assets	34,237,943	9,864,208	4,437,441	2,070,584	50,610,176
Noncurrent Assets					
Investments	20,614,211	11,433,673			32,047,884
Capital Assets, Net	14,602		2,371,010	622,875	3,008,487
Total Noncurrent Assets	20,628,813	11,433,673	2,371,010	622,875	35,056,371
Total Assets	\$54,866,756	\$21,297,881	\$6,808,451	\$2,693,459	\$85,666,547
LIABILITIES					
Current Liabilities					
Accounts Payable			\$195,866		\$195,866
Due to Other Funds		\$6,490	16,243		22,733
Deferred Revenue	\$8,276,789		121,306		8,398,095
Other Accrued Liabilities	15,582	25,436	441,843	\$204,556	687,417
Capital Leases Payable			142,124		142,124
Compensated Absences Payable	11,624	17,748	413,900	181,073	624,345
Policy Claim Liabilities	3,366,471	3,344,167			6,710,638
Total Current Liabilities	11,670,466	3,393,841	1,331,282	385,629	16,781,218
Noncurrent Liabilities					
Capital Leases Payable			415,657		415,657
Policy Claim Liabilities	19,430,000	13,288,601			32,718,601
Total Noncurrent Liabilities	19,430,000	13,288,601	415,657		33,134,258
Total Liabilities	31,100,466	16,682,442	1,746,939	385,629	49,915,476
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	14,603		1,813,229	622,876	2,450,708
Restricted for:					
Claims and Judgments	15,386,168				15,386,168
Unrestricted	8,365,519	4,615,439	3,248,283	1,684,954	17,914,195
Total Net Assets	23,766,290	4,615,439	5,061,512	2,307,830	35,751,071
Total Liabilities and Net Assets	\$54,866,756	\$21,297,881	\$6,808,451	\$2,693,459	\$85,666,547

State of Idaho
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2003

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	\$124,608,250	\$6,752,421	\$17,516,739	\$6,088,557	\$154,965,967
Grants and Contributions			36,081		36,081
Other Income	676		11,720	11,650	24,046
Total Operating Revenues	124,608,926	6,752,421	17,564,540	6,100,207	155,026,094
OPERATING EXPENSES					
Personnel Costs	238,741	404,717	6,980,535	3,314,891	10,938,884
Services and Supplies	225,510	3,720,226	8,781,189	2,301,447	15,028,372
Benefits, Awards, and Premiums	122,721,187	2,418,869			125,140,056
Depreciation	3,975		679,339	567,684	1,250,998
Other Expenses	66,762	95,351	1,650,866	89,914	1,902,893
Total Operating Expenses	123,256,175	6,639,163	18,091,929	6,273,936	154,261,203
Operating Income (Loss)	1,352,751	113,258	(527,389)	(173,729)	764,891
NONOPERATING REVENUES (EXPENSES)					
Investment Income	3,432,065	1,562,074	164,439	38,945	5,197,523
Interest Expense			(34,567)		(34,567)
Other Nonoperating Revenues (Expenses)			7,624		7,624
Total Nonoperating Revenues (Expenses)	3,432,065	1,562,074	137,496	38,945	5,170,580
Income (Loss) Before Transfers	4,784,816	1,675,332	(389,893)	(134,784)	5,935,471
Transfers Out		(5,000,000)			(5,000,000)
Change in Net Assets	4,784,816	(3,324,668)	(389,893)	(134,784)	935,471
Total Net Assets - Beginning of Year	18,981,474	7,940,107	5,451,405	2,442,614	34,815,600
Total Net Assets - End of Year	\$23,766,290	\$4,615,439	\$5,061,512	\$2,307,830	\$35,751,071

State of Idaho
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2003

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$22,901,146	\$631,606
Receipts from Other Funds	103,047,642	6,435,429
Receipts from Grants and Contributions		
Payments to Suppliers	(166,343)	(3,701,209)
Payments to Employees for Services	(237,107)	(402,479)
Payments to Other Funds	(153,189)	(113,164)
Payments for Benefits, Awards, and Claims	(123,678,480)	(3,750,785)
Other Receipts (Payments)		
Net Cash Provided (Used) by Operating Activities	1,713,669	(900,602)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out		(5,000,000)
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		(5,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets		(2,724)
Net Cash Provided (Used) by Capital and Related Financing Activities		(2,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	2,601,946	1,151,393
Purchase of Investments	(1,132,350)	(566,654)
Redemption of Investments		300,000
Net Cash Provided (Used) by Investing Activities	1,469,596	884,739
Net Increase (Decrease) in Cash and Cash Equivalents	3,183,265	(5,018,587)
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	28,312,775	14,696,011
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	\$31,496,040	\$9,677,424
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$1,352,751	\$113,258
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,975	
Investments	337,335	157,632
Net Changes in Assets and Liabilities:		
Accounts Receivable/Due from Other Funds	16,528	32,475
Inventory		
Other Current Assets	243,844	124,506
Accounts Payable/Due to Other Funds	(984,557)	(115,333)
Deferred Revenue	742,159	
Compensated Absences	(353)	255
Policy Claim Liabilities		(1,215,378)
Other Accrued Liabilities	1,987	1,983
Net Cash Provided (Used) by Operating Activities	\$1,713,669	(\$900,602)

Noncash Transactions: Investments increased in fair value by \$709,998 for Group Insurance and \$354,183 for Risk Management.



PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS account for the receipt, investment, and disbursement of the various retirement funds.

The PERSI BASE PLAN is a qualified tax-deferred plan under the *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The FIREMEN'S RETIREMENT FUND is a qualified tax-deferred plan under *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The DEFINED CONTRIBUTION RETIREMENT PLAN is a defined contribution pension plan made up of a qualified 401(k) component and a 414(k) component. Members of the PERSI Base Plan can voluntarily contribute to this retirement plan.

The JUDGES' RETIREMENT FUND provides payment of the annual compensation of retired justices and judges and the allowances to surviving spouses.

State of Idaho

**Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2003**

	PERSI Base Plan	Firemen's Retirement Fund	Defined Contribution Retirement Plan	Judges' Retirement Fund	Total
ASSETS					
Cash Equity with Treasurer	\$4,553,059		\$195,899	\$126,994	\$4,875,952
Cash and Cash Equivalents		\$129,637			129,637
Investments:					
Pooled Short Term	215,988,908	6,261,186		995,313	223,245,407
Fixed Income Investments	1,551,221,116	43,443,842		16,258,938	1,610,923,896
Marketable Securities	4,272,786,070	121,355,692		29,305,995	4,423,447,757
Mutual Funds and Private Equities	133,170,302	3,860,402	103,477,653		240,508,357
Mortgages and Real Estate	322,720,643	9,355,175			332,075,818
Receivables:					
Investments Sold	411,909,114	11,914,838			423,823,952
Contributions	5,544,047	556,378	250,823	44,198	6,395,446
Interest and Dividends	27,503,515	795,564		257,285	28,556,364
Other Receivables	1,256,772			116,730	1,373,502
Other Assets	23,368,629				23,368,629
Capital Assets, Net	5,969,402				5,969,402
Total Assets	6,975,991,577	197,672,714	103,924,375	47,105,453	7,324,694,119
LIABILITIES					
Accounts Payable	1,529,111			32,601	1,561,712
Investments Purchased	513,393,479	14,850,364			528,243,843
Other Accrued Liabilities	4,753,313	130,463	6,728		4,890,504
Total Liabilities	519,675,903	14,980,827	6,728	32,601	534,696,059
NET ASSETS					
Held in Trust for:					
Employee Pension Benefits	6,315,993,351	182,691,887	103,917,647	47,072,852	6,649,675,737
Postemployment Healthcare Benefits	140,322,323				140,322,323
Total Net Assets	\$6,456,315,674	\$182,691,887	\$103,917,647	\$47,072,852	\$6,789,998,060

State of Idaho

**Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2003**

	PERSI Base Plan	Firemen's Retirement Fund	Defined Contribution Retirement	Judges' Retirement Fund	Total
ADDITIONS					
Contributions:					
Member	\$131,108,099	\$172,713	\$14,582,027	\$246,511	\$146,109,350
Employer	207,221,198	10,115,448	286,535	287,599	217,910,780
Transfers In from Other Plans			2,062,334		2,062,334
Total Contributions	338,329,297	10,288,161	16,930,896	534,110	366,082,464
Investment Income:					
Net Increase (Decrease) in Fair Value of Investments	38,096,299	1,101,970	1,196,765	(290,129)	40,104,905
Interest, Dividends, and Other	204,532,242	5,462,049	2,762,314	1,313,029	214,069,634
Less: Investment Expense	(24,462,963)	(707,613)	(90,705)	(155,745)	(25,417,026)
Net Investment Income	218,165,578	5,856,406	3,868,374	867,155	228,757,513
Miscellaneous Income	132,967			1,541,910	1,674,877
Total Additions	556,627,842	16,144,567	20,799,270	2,943,175	596,514,854
DEDUCTIONS					
Benefits and Refunds Paid to Plan Members	299,137,607	14,958,045	1,951,818	3,102,006	319,149,476
Transfers Out to Other Plans	1,217		1,553,832		1,555,049
Administrative Expense	6,617,381			36,687	6,654,068
Total Deductions	305,756,205	14,958,045	3,505,650	3,138,693	327,358,593
Change in Net Assets Held in Trust for:					
Employee Pension Benefits	234,644,584	1,186,522	17,293,620	(195,518)	252,929,208
Employee Postemployment Healthcare Benefits	16,227,053				16,227,053
Net Assets - Beginning of Year	6,205,444,037	181,505,365	86,624,027	47,268,370	6,520,841,799
Net Assets - End of Year	\$6,456,315,674	\$182,691,887	\$103,917,647	\$47,072,852	\$6,789,998,060



AGENCY FUNDS account for the receipt and disbursement of various monies and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

OTHER CUSTODIAL accounts for the receipts and disbursements of monies collected by the State and distributed to other entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

PAYROLL is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

*State of Idaho***Combining Statement of Assets and Liabilities****Agency Funds****June 30, 2003**

	Custodial	Payroll	Total
ASSETS			
Cash Equity with Treasurer	\$6,022,496		\$6,022,496
Cash and Cash Equivalents	1,275,135		1,275,135
Investments:			
Fixed Income Investments	160,159,849		160,159,849
Other Investments	8,631,612		8,631,612
Receivables:			
Interest and Dividends	137,686		137,686
Total Assets	\$176,226,778	\$0	\$176,226,778
LIABILITIES			
Due to Other Entities	\$353,798		\$353,798
Deposits	174,617,285		174,617,285
Other Accrued Liabilities	1,255,695		1,255,695
Total Liabilities	\$176,226,778	\$0	\$176,226,778

*State of Idaho***Combining Statement of Changes in Assets and Liabilities****Agency Funds****For the Fiscal Year Ended June 30, 2003**

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
CUSTODIAL				
Assets				
Cash Equity with Treasurer	\$2,331,255	\$66,158,997	\$62,467,756	\$6,022,496
Cash and Cash Equivalents	1,042,040	1,275,135	1,042,040	1,275,135
Fixed Income Investments	155,830,904	160,159,849	155,830,904	160,159,849
Other Investments	7,288,009	3,524,183	2,180,580	8,631,612
Interest and Dividends	79,919	137,686	79,919	137,686
Total Assets	\$166,572,127	\$231,255,850	\$221,601,199	\$176,226,778
Liabilities				
Due to Other Entities	\$397,659	\$2,126,776	\$2,170,637	\$353,798
Deposits	162,813,011	176,015,959	164,211,685	174,617,285
Other Accrued Liabilities	3,361,457	20,627,627	22,733,389	1,255,695
Total Liabilities	\$166,572,127	\$198,770,362	\$189,115,711	\$176,226,778
PAYROLL				
Assets				
Cash Equity with Treasurer	\$336,183	\$1,104,008,241	\$1,104,344,424	
Total Assets	\$336,183	\$1,104,008,241	\$1,104,344,424	\$0
Liabilities				
Other Accrued Liabilities	\$336,183	\$1,141,629,500	\$1,141,965,683	
Total Liabilities	\$336,183	\$1,141,629,500	\$1,141,965,683	\$0
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash Equity with Treasurer	\$2,667,438	\$1,170,167,238	\$1,166,812,180	\$6,022,496
Cash and Cash Equivalents	1,042,040	1,275,135	1,042,040	1,275,135
Fixed Income Investments	155,830,904	160,159,849	155,830,904	160,159,849
Other Investments	7,288,009	3,524,183	2,180,580	8,631,612
Interest and Dividends	79,919	137,686	79,919	137,686
Total Assets	\$166,908,310	\$1,335,264,091	\$1,325,945,623	\$176,226,778
Liabilities				
Due to Other Entities	\$397,659	\$2,126,776	\$2,170,637	\$353,798
Deposits	162,813,011	176,015,959	164,211,685	174,617,285
Other Accrued Liabilities	3,697,640	1,162,257,127	1,164,699,072	1,255,695
Total Liabilities	\$166,908,310	\$1,340,399,862	\$1,331,081,394	\$176,226,778



Statistical Section



Nesting Area for the Birds of Prey
Photo Courtesy of the U.S. Bureau of Land Management

The Snake River Canyon Birds of Prey Sanctuary

The largest concentration of nesting birds of prey in North America, and perhaps the world, occurs in the Snake River Birds of Prey National Conservation Area. The 485,000 acre preserve straddles 81 miles of the Snake River and is centered on the river's deep canyon. The sanctuary is operated by the U.S. Bureau of Land Management. The sanctuary's cliffs tower 700 feet above the river and provide countless crags where hawks, eagles, owls, vultures and falcons nest.

The steep craggy cliffs of the Snake River canyon, thermal updrafts, and a broad plateau rich in ground squirrels and jackrabbits make this a place like no other for raptors. Over 700 species pairs, representing 15 raptor species, return here each spring to mate and raise their young. The area is actually a "giant natural raptor nursery." A vast number of species nest in the canyon each spring and can dive-bomb prey at a hundred miles an hour to make a kill and feed their ravenous young. The birds arrive from as far away as Argentina. They mate, lay eggs, and raise their young. With



Prairie Falcon Chicks in Their Nest Above the Snake River
Photo Courtesy of the U.S. Bureau of Land Management

the onset of summer heat, the raptors sensibly fly off to cooler, higher hunting areas.

Thanks to the conservation area, people can visit the rugged landscape each year to watch the nesting raptors soar and wheel in the clear Idaho sky.



Schedule 1 - Revenues by Source

General Governmental Revenues¹ (dollars in millions)

Fiscal Years 1994-2003

	%	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Sales Tax	20.73%	\$864	\$778	\$778	\$762	\$712	\$664	\$624	\$605	\$576	\$542
Individual and Corporate Taxes	21.69%	904	890	1,171	1,104	1,109	1,053	971	948	877	774
Other Taxes	9.31%	388	363	412	407	386	378	369	304	425	414
Licenses, Permits, and Fees	5.54%	231	213	215	179	168	158	144	151	142	123
Sale of Goods and Services	4.34%	181	173	113	107	97	79	55	49	50	50
Grants and Contributions	34.72%	1,447	1,330	1,265	1,112	952	903	895	806	724	677
Investment Income	1.20%	50	(52)	97	102	103	98	80	72	63	22
Other Income	2.47%	103	73	57	74	42	57	42	90	95	122
Total Revenues	100.00%	\$4,168	\$3,768	\$4,108	\$3,847	\$3,569	\$3,390	\$3,180	\$3,025	\$2,952	\$2,724

¹GASB 34 was implemented in FY 2002 and the amounts now include General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis thereafter.

Schedule 2 - Expenditures by Function

General Governmental Expenditures¹ (dollars in millions)

Fiscal Years 1994-2003

	%	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General Government	7.13%	\$295	\$292	\$254	\$237	\$379	\$413	\$383	\$350	\$358	\$317
Public Safety and Correction	5.51%	228	231	260	218	215	194	175	156	129	105
Health and Human Services	32.47%	1,344	1,236	1,124	949	868	809	767	731	638	566
Education	30.15%	1,248	1,228	1,394	1,319	1,255	1,142	1,107	1,062	999	1,037
Economic Development	11.11%	460	460	446	440	414	381	399	321	525	432
Natural Resources	3.94%	163	173	147	142	137	124	124	127	140	114
Capital Outlay*	9.69%	401	353	401	351	324	267	259	251		
Total Expenditures	100.00%	\$4,139	\$3,973	\$4,026	\$3,656	\$3,592	\$3,330	\$3,214	\$2,998	\$2,789	\$2,571

¹GASB 34 was implemented in FY 2002 and the amounts now include General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis thereafter.

*Classification structure changed in fiscal year 1996 and data from prior years for this classification is not available.

Schedule 3 - Property Taxes by Taxing District and Category of Property

The State of Idaho does not levy property taxes. Information is for other taxing entities within the State.

Property Taxes by Taxing District

Tax Levy Years 1993-2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995*	1994	1993
County	\$228.7	\$210.7	\$212.3	\$202.0	\$188.8	\$180.4	\$172.7	\$162.3	\$155.3	\$146.9
City	225.2	210.7	193.9	179.5	169.0	159.2	149.1	136.8	127.3	116.5
School	441.0	408.1	391.9	369.3	346.6	327.7	301.2	277.0	285.3	253.1
Roads/Highways	53.3	51.9	50.0	47.4	44.8	42.3	40.6	38.8	36.2	34.2
Community College	7.8	7.3	10.0	9.7	9.3	9.0	9.8	9.5	9.4	8.7
All Others	65.3	59.8	56.2	52.2	48.5	45.1	41.6	39.8	38.1	33.8
Total Tax	\$1,021.3	\$948.5	\$914.3	\$860.1	\$807.0	\$763.7	\$715.0	\$664.2	\$651.6	\$593.2

Property Taxes by Category of Property

Tax Levy Years 1993-2002

	2002	2001	2000	1999	1998	1997	1996	1995*	1994	1993
Residential	57.7%	57.1%	55.8%	54.8%	54.4%	54.8%	54.9%	54.4%	52.1%	50.3%
Commercial/Industrial	31.2%	31.5%	31.4%	31.4%	31.2%	30.4%	30.0%	30.2%	31.0%	32.3%
Agricultural	4.4%	4.7%	6.0%	6.4%	6.5%	6.6%	6.8%	7.3%	8.0%	8.5%
Timber	1.2%	1.4%	1.5%	1.7%	1.7%	1.6%	1.5%	1.4%	1.5%	1.2%
Mining	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.4%
Operating	5.2%	5.1%	5.1%	5.4%	5.9%	6.3%	6.5%	6.4%	7.2%	7.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Urban	63.9%	63.2%	62.1%	60.8%	60.8%	60.3%	60.6%	59.7%	58.9%	59.4%
Rural	36.1%	36.8%	37.9%	39.2%	39.2%	39.7%	39.4%	40.3%	41.1%	40.6%

% Change Total Tax Collections	7.7%	3.8%	6.3%	6.6%	5.7%	6.8%	7.6%	1.9%	9.8%	8.0%
Amount Tax Collections (in millions)	\$1,021.3	\$948.5	\$914.3	\$860.1	\$807.0	\$763.7	\$715.0	\$664.2	\$651.6	\$593.2
Amount Market Value (in billions)	\$70.2	\$65.3	\$62.0	\$59.0	\$55.5	\$52.9	\$48.8	\$44.2	\$38.7	\$34.7
Average Tax Rate	1.454%	1.452%	1.474%	1.459%	1.445%	1.444%	1.466%	1.502%	1.683%	1.708%

*HB156 became law in 1995. This included \$40.8M of school Maintenance and Operations (M&O) property tax relief as a result of reducing the maximum M&O tax rate from .4% to .3%. Also other local M&O taxing district budgets were capped at a 3% increase plus the previous year's M&O tax rate times the taxable value of any new construction. The school tax relief was paid by state tax collections.

Source: Associated Taxpayers of Idaho

Schedule 4 - State Sales Tax Revenues

Fiscal Years 1994-2003 (*dollars in millions*)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Total Sales	\$42,215	\$43,144	\$43,069	\$43,017	\$38,350	\$36,572	\$34,900	\$32,338	\$29,615	\$26,911
Nontaxable	26,689	26,696	29,855	29,052	25,100	24,398	23,230	21,167	18,992	16,834
Net Taxable	15,526	16,448	13,214	13,965	13,250	12,174	11,670	11,171	10,623	10,077
Use Tax	1,140	1,017	997	947	844	795	764	802	768	670
Total Taxable	\$16,666	\$17,465	\$14,211	\$14,912	\$14,094	\$12,969	\$12,434	\$11,973	\$11,391	\$10,747
Tax Due	\$838	\$872	\$737	\$745	\$700	\$652	\$624	\$600	\$574	\$540

Source: Idaho State Tax Commission

Schedule 5 - Total Resident Population and Components of Change

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Population (<i>in thousands</i>)	1,354.1	1,341.1	1,320.7	1,299.1	1,275.7	1,252.3	1,228.4	1,203.2	1,177.0	1,144.9
Population % Change	1.0%	1.5%	1.7%	1.8%	1.9%	1.9%	2.1%	2.2%	2.8%	3.3%
Births Number	20.179	20.116	20.684	20.304	19.897	19.188	18.599	18.482	17.915	17.690
Deaths Number	9.949	9.837	9.811	9.538	9.488	9.105	8.953	8.679	8.553	8.478
Net Migration Number	2.871	10.085	10.645	12.658	12.975	13.836	15.583	16.417	22.652	27.115

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 6 - Residential Building Activity

Housing Starts

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Idaho	14,342	13,222	12,253	11,532	10,345	10,113	8,864	9,219	9,360	12,766
% Change	8.5 %	7.9 %	6.2%	11.5%	2.3%	14.1%	(3.9)%	(1.5)%	(26.7)%	11.4%
National (<i>in millions</i>)	1.662	1.711	1.601	1.573	1.647	1.621	1.475	1.469	1.361	1.446
% Change	(2.9)%	6.9 %	1.8 %	(4.5)%	1.6%	9.9%	0.4%	7.9%	(5.9)%	12.0%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 7 - Domestic Financial Institutions Deposits

Calendar Years 1993-2002 (dollars in millions)

Institution Type	No. of Branches	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Banks	454	\$9,847	\$9,489	\$9,182	\$8,825	\$8,798	\$8,576	\$9,125	\$8,991	\$8,424	\$7,847
Savings & Loans	78	1,582	1,319	1,121	1,041	1,027	912	899	854	861	866
Credit Unions	76	1,874	1,621	1,433	1,366	1,202	1,191	1,130	1,005	967	913
FDIC Savings Banks	25	415	299	296	275	172	26				
Total	633	\$13,718	\$12,728	\$12,032	\$11,507	\$11,199	\$10,705	\$11,154	\$10,850	\$10,252	\$9,626

Source: 2003/Sheshunoff Information Services, Inc.

Schedule 8 - Ten Largest Private Employers in Idaho

As of June 30, 2003

Major Idaho Employers	Employees
Albertsons, Inc.	5,000-10,000
Bechtel BWTX Idaho LLC	5,000-10,000
Micron Technology, Inc.	5,000-10,000
Wal-Mart Associates, Inc.	5,000-10,000
J.R. Simplot Co.	3,000-5,000
St. Lukes Regional Medical Center	3,000-5,000
Hewlett-Packard Co.	2,000-3,000
Kroger Cooperative Group Inc (Fred Meyer)	2,000-3,000
Potlatch Corporation	2,000-3,000
St. Alphonsus Regional Medical Center	2,000-3,000

Source: Idaho Department of Labor, based on a calendar year average

Schedule 9 - Employment Comparison

Calendar Years 1993-2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Idaho Civilian Labor Force	684,749	682,228	657,712	655,300	653,056	633,600	619,304	601,194	591,463	547,678
% Change	0.4%	3.7%	0.4%	0.3%	3.1%	2.3%	3.0%	1.6%	8.0%	2.9%
U.S. Civilian Labor Force										
(in thousands)	144,863	143,734	142,583	139,368	137,673	136,297	133,943	132,304	131,056	129,200
% Change	0.8%	0.8%	2.3%	1.2%	1.0%	1.8%	1.2%	1.0%	1.4%	0.9%
Idaho Employment	645,066	648,392	625,798	621,400	620,217	599,800	586,874	568,801	558,589	513,653
% Change	(0.5)%	3.6%	0.7%	0.2%	3.4%	2.2%	3.2%	1.8%	8.7%	3.3%
U.S. Employment										
(in thousands)	136,485	136,933	136,891	133,488	131,463	129,558	126,708	124,900	123,060	120,259
% Change	(0.3)%	0.0 %	2.5%	1.5%	1.5%	2.2%	1.4%	1.5%	2.3%	1.5%

Source: Bureau of Labor Statistics, Idaho Department of Labor

Schedule 10 - Labor Force and Employment by Sector

Calendar Years 1993-2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Resident Civilian Labor Force and Employment in Idaho										
Civilian Labor Force	684,749	682,228	657,712	655,300	653,056	633,600	619,304	601,194	591,463	547,678
Unemployment	39,683	33,836	31,914	33,900	32,839	33,800	32,430	32,393	32,874	34,025
Net Employment	645,066	648,392	625,798	621,400	620,217	599,800	586,874	568,801	558,589	513,653
Unemployment Percentage Rate	5.8%	5.0%	4.9%	5.2%	5.0%	5.3%	5.2%	5.4%	5.6%	6.2%
Nonagricultural Wage and Salary Workers Employed in Idaho										
Goods Producing Industries										
Mining	1,758	2,036	2,425	2,579	2,902	3,068	3,067	2,725	2,423	2,198
Logging ¹	2,021	2,091	2,307	2,438	2,512	2,703	2,870	2,828	2,941	2,941
Construction	36,480	37,251	36,432	34,881	32,228	31,870	30,615	29,642	29,017	24,699
Manufacturing-Durable Goods	40,312	44,181	45,609	44,699	44,659	42,864	41,193	39,283	37,674	34,541
Manufacturing-Nondurable Goods	24,484	29,006	29,253	28,984	28,941	29,012	28,831	28,907	31,256	31,759
Total Goods Producing Industries	105,055	114,565	116,026	113,581	111,242	109,517	106,576	103,385	103,311	96,138
Service Producing Industries										
Transportation, Comm., and Utilit.	27,829	28,134	27,943	26,896	25,497	24,271	23,409	22,707	21,882	20,880
Trade	97,328	140,955	141,103	136,266	132,620	129,197	125,199	121,408	116,708	109,395
Finance, Insurance, and Real Estate	25,822	24,086	23,495	23,558	22,930	25,430	25,183	24,981	24,108	22,759
Service	200,002	150,366	145,038	135,782	128,782	122,515	116,019	110,130	102,853	97,234
State and Local Government	98,482	96,906	92,223	90,249	87,715	84,983	82,582	81,693	79,040	76,839
Federal Government	13,559	13,287	13,428	12,836	12,796	12,901	12,895	13,109	13,486	13,572
Total Service Producing Industries	463,022	453,734	443,230	425,587	410,340	399,297	385,287	374,028	358,077	340,679
Nonfarm Wage & Salary Employment	568,077	568,299	559,256	539,168	521,582	508,814	491,863	477,413	461,388	436,817

Source: Idaho Department of Labor

¹ Prior to 2003, *Logging* was combined and reported with *Manufacturing-Durable Goods*.

Schedule 11 - Average Annual Wage

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Idaho	\$29,981	\$29,205	\$28,687	\$28,688	\$27,011	\$25,879	\$24,876	\$24,192	\$23,636	\$22,770
% Change	2.7%	1.8%	0.0%	6.2%	4.4%	4.0%	2.8%	2.4%	3.8%	3.1%
National	\$39,603	\$38,262	\$37,526	\$36,716	\$34,678	\$33,313	\$31,699	\$30,322	\$29,223	\$28,355
% Change	3.5%	2.0%	2.2%	5.9%	4.1%	5.1%	4.5%	3.8%	3.1%	1.7%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 12 - Personal Income Comparison Idaho vs. National

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
In Current Dollars										
Idaho (<i>in millions</i>)	\$34,776	\$33,605	\$32,363	\$31,177	\$28,902	\$27,066	\$25,227	\$24,174	\$22,869	\$21,399
% Change	3.5%	3.8%	3.8%	7.9%	6.8%	7.3%	4.4%	5.7%	6.9%	6.4%
National (<i>in billions</i>)	\$9,255	\$8,929	\$8,685	\$8,407	\$7,786	\$7,426	\$6,937	\$6,547	\$6,201	\$5,888
% Change	3.6%	2.8%	3.3%	8.0%	4.9%	7.0%	6.0%	5.6%	5.3%	5.0%
In 1996 Dollars										
Idaho (<i>in millions</i>)	\$30,737	\$30,257	\$29,538	\$29,030	\$27,594	\$26,268	\$24,745	\$24,172	\$23,359	\$22,357
% Change	1.6%	2.4%	1.7%	5.2%	5.0%	6.2%	2.4%	3.5%	4.5%	4.3%
National (<i>in billions</i>)	\$8,180	\$8,039	\$7,927	\$7,828	\$7,435	\$7,208	\$6,805	\$6,547	\$6,334	\$6,152
% Change	1.7%	1.4%	1.3%	5.3%	3.2%	5.9%	3.9%	3.4%	3.0%	2.9%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 13 - Personal Income by Component

Calendar Years 1994-2003 (*dollars in millions*)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Total Personal Income	\$34,776	\$33,605	\$32,363	\$31,177	\$28,902	\$27,066	\$25,227	\$24,174	\$22,869	\$21,399
% Change	3.5%	3.8%	3.8%	7.9%	6.8%	7.3%	4.4%	5.7%	6.9%	6.4%
Wage and Salaries	\$17,735	\$17,192	\$16,855	\$16,562	\$15,040	\$13,973	\$13,109	\$12,316	\$11,725	\$10,916
% Change	3.2%	2.0%	1.8%	10.1%	7.6%	6.6%	6.4%	5.0%	7.4%	9.3%
Farm Proprietors Income	\$685	\$611	\$587	\$432	\$699	\$580	\$344	\$585	\$496	\$410
% Change	12.2 %	4.0%	35.9%	(38.2)%	20.5%	68.5%	(41.1)%	17.9%	21.1%	(51.2)%
Nonfarm Proprietors Income	\$3,723	\$3,516	\$3,334	\$3,256	\$3,040	\$2,602	\$2,408	\$2,337	\$2,264	\$2,342
% Change	5.9%	5.5%	2.4%	7.1%	16.8%	8.1%	3.0%	3.2%	(3.3)%	9.5%
Dividends, Rent, Interest	\$6,189	\$6,198	\$6,102	\$5,891	\$5,468	\$5,470	\$5,044	\$4,650	\$4,377	\$3,925
% Change	(0.2)%	1.6%	3.6%	7.7%	0.0%	8.4%	8.5%	6.2%	11.5%	10.4%
Other Labor Income	\$2,247	\$2,151	\$1,996	\$1,940	\$1,800	\$1,726	\$1,681	\$1,728	\$1,714	\$1,725
% Change	4.5%	7.7%	2.9%	7.8%	4.3%	2.6%	(2.7)%	0.8%	(0.6)%	8.4%
Government Transfers to Individuals	\$5,221	\$4,890	\$4,383	\$3,938	\$3,680	\$3,499	\$3,394	\$3,285	\$3,012	\$2,777
% Change	6.8%	11.6%	11.3%	7.0%	5.2%	3.1%	3.3%	9.1%	8.5%	5.8%
Contribution for Social Insurance	\$1,437	\$1,377	\$1,320	\$1,275	\$1,182	\$1,102	\$1,045	\$987	\$949	\$900
% Change	4.4%	4.3%	3.5%	7.9%	7.2%	5.5%	5.8%	4.0%	5.5%	10.2%
Residence Adjustment	\$413	\$426	\$425	\$433	\$356	\$321	\$292	\$260	\$230	\$204
% Change	(3.0)%	0.1%	(1.7)%	21.7%	10.7%	10.0%	12.3%	12.9%	12.9%	11.8%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 14 - Per Capita Personal Income Comparison Idaho vs. National

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
In Current Dollars										
Idaho	\$25,681	\$25,059	\$24,505	\$23,997	\$22,654	\$21,611	\$20,535	\$20,091	\$19,430	\$18,688
% Change	2.5%	2.3%	2.1%	5.9%	4.8%	5.2%	2.2%	3.4%	4.0%	3.1%
National	\$31,728	\$30,898	\$30,372	\$29,717	\$27,835	\$26,851	\$25,375	\$24,238	\$23,226	\$22,314
% Change	2.7%	1.7%	2.2%	6.8%	3.7%	5.8%	4.7%	4.4%	4.1%	3.7%
In 1996 Dollars										
Idaho	\$22,699	\$22,563	\$22,366	\$22,346	\$21,630	\$20,975	\$20,143	\$20,090	\$19,846	\$19,526
% Change	0.6%	0.9%	0.1%	3.3%	3.1%	4.1%	0.3%	1.2%	1.6%	1.0%
National	\$28,042	\$27,820	\$27,722	\$27,672	\$26,579	\$26,062	\$24,892	\$24,239	\$23,725	\$23,315
% Change	0.8%	0.4%	0.2%	4.1%	2.0%	4.7%	2.7%	2.2%	1.8%	1.6%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 15 - Full-Time Equivalent Positions - State Employees

Fiscal Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
State Board of Education	5,079	5,218	5,045	4,991	4,846	4,758	4,692	4,683	4,605	4,502
Department of Health and Welfare	2,999	3,092	3,038	3,629	3,627	3,621	3,623	3,657	4,105	4,073
Idaho Transportation Department	1,838	1,836	1,831	1,829	1,800	1,745	1,813	1,811	1,820	1,814
Department of Correction	1,468	1,465	1,383	1,354	1,362	1,312	1,109	1,150	1,078	1,046
Executive Office of the Governor	562	557	543	523	470	680	666	652	650	656
Department of Fish and Game	518	511	506	499	500	501	505	523	523	521
Idaho State Police	536	542	521	515	496	494	488	486	489	486
Department of Revenue and Taxation	416	420	420	419	419	378	378	376	375	372
All Other	3,295	3,291	3,155	2,483	2,537	2,473	2,408	2,368	2,160	2,123
State Total	16,711	16,932	16,442	16,242	16,057	15,962	15,682	15,706	15,805	15,593

Source: Executive Budget FY 2003, FY 2002, FY 2001, FY 2000, FY 1997, FY 1995

Schedule 16 - Public School Enrollment Grades K-12

Academic Years 1993/94-2002/03

	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Elementary	133,501	132,406	131,835	131,348	131,018	130,080	129,525	129,570	129,031	128,339
Secondary	115,014	114,009	113,174	113,878	113,605	114,323	115,727	113,627	111,417	108,435
Total All Grades	248,515	246,415	245,009	245,226	244,623	244,403	245,252	243,197	240,448	236,774

Starting in academic year 1997/98, the reporting date changed from the last Friday in September to the first Friday in November.

Source: Idaho Department of Education

Schedule 17 - Public Higher Education Enrollment

Student Headcount (Calendar Years 1994-2003)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Boise State University	18,431	17,688	17,176	16,482	16,209	15,744	15,467	15,137	14,969	15,099
Idaho State University	13,625	13,352	13,663	13,037	12,650	12,232	11,870	12,139	12,027	11,875
University of Idaho	12,894	12,423	12,067	11,635	11,305	11,437	11,027	11,133	11,727	11,730
Lewis-Clark State College	3,228	2,967	2,952	2,696	2,815	2,972	3,008	2,967	3,118	3,330
Total Colleges and Universities	48,178	46,430	45,858	43,850	42,979	42,385	41,372	41,376	41,841	42,034
College of Southern Idaho	6,824	6,892	6,296	5,456	5,056	4,871	4,872	4,270	4,359	4,108
North Idaho College	4,449	4,179	4,102	3,981	3,894	3,469	3,597	3,610	3,276	3,317
Total Community Colleges	11,273	11,071	10,398	9,437	8,950	8,340	8,469	7,880	7,635	7,425
Eastern Idaho Technical College	860	702	598	595	653	601	540	374	409	368
Total System	60,311	58,203	56,854	53,882	52,582	51,326	50,381	49,630	49,885	49,827

Note: Total headcount includes academic full-time, academic part-time, and vocational.

Source: Idaho State Board of Education

Schedule 18 - Number of Teachers, Average Salary, and Number of High School Graduates

Academic Years 1992-2001

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Number of Teachers (<i>in thousands</i>)										
Elementary	7.1	7.0	6.8	6.8	6.7	6.6	6.5	6.3	6.2	6.1
Secondary	6.7	6.7	6.6	6.6	6.4	6.2	6.1	5.7	5.6	5.5
Total	13.8	13.7	13.4	13.4	13.1	12.8	12.6	12.0	11.8	11.6
Average Annual Teacher's Salary (<i>in thousands</i>)										
Elementary	\$36.4	\$35.2	\$34.2	\$32.7	\$31.8	\$30.8	\$29.7	\$27.6	\$26.8	\$26.0
Secondary	\$36.3	\$35.1	\$34.0	\$32.8	\$31.9	\$31.0	\$29.9	\$27.9	\$27.2	\$26.8
All Teachers	\$36.4	\$35.2	\$34.1	\$32.8	\$31.8	\$30.9	\$29.8	\$27.8	\$27.0	\$26.4
Rank Among All States ¹	29	37	39	40	40	41	42	45	46	47
Number of High School Graduates ¹	15.9 ^a	16.2 ^a	15.7 ^a	15.1 ^a	15.6 ^a	14.5 ^a	14.2	13.3	13.0	12.7

¹Includes Washington D.C.

^aEstimate

Source: Statistical Abstract of the United States 2002

Schedule 19 - FY 2002-2003 School District Information

School District Size	Number of Districts	Total Enrollment	Student- Teacher Ratio	Expenditure Per Student*
Over 5,000 Students	10	122,713	18.8	\$6,271
2,500 to 4,999 Students	15	58,204	18.0	\$5,996
1,000 to 2,499 Students	29	44,273	17.9	\$6,089
500 to 999 Students	22	14,746	15.5	\$7,384
Less than 500 Students	38	8,579	12.5	\$8,881
Statewide Total/Average	114	248,515	17.9	\$6,191

Source: 2003 Idaho Fiscal Facts, Legislative Services Office

*State Department of Education Sources (Uses FY 2002 financial data as most current available.)

Schedule 20 - Idaho's Rank in the Nation's Agriculture

Calendar Year 2002

Commodity	Rank Among States	Production	Unit	% of U.S.
Crops:				
Potatoes	1	133,385,000	cwt.	29%
Austrian Winter Peas	1	135,000	cwt.	82%
Wrinkled Seed Peas	2	157,000	cwt.	34%
Lentils	2	792,000	cwt.	32%
Barley	2	53,960,000	bu.	24%
Sugarbeets	2	5,103,000	ton	18%
Dry Edible Peas	3	640,000	cwt.	15%
All Mint	3	1,618,000	lb.	18%
Hops	3	5,519,600	lb.	9%
Onions (Summer Storage) ¹	3	5,056,000	cwt.	15%
Prunes and Plums (Fresh) ²	3	2,000	ton	13%
Alfalfa Hay	3	5,000,000	ton	7%
Other Spring Wheat	4	33,150,000	bu.	8%
Dry Edible Beans	5	1,907,000	cwt.	6%
Winter Wheat	5	54,510,000	bu.	5%
Sweet Cherries	6	1,700	ton	1%
All Wheat	6	87,660,000	bu.	5%
All Hay	8	5,608,000	ton	4%
Apples	10	80,000,000	lb.	1%
Livestock and Livestock Products:				
Foodsize Trout ³	1	37,400,000	lb.	69%
American Cheese	4	482,841,000	lb.	13%
Milk Production	6	8,155	mil. lb.	5%
Milk Cows ⁴	6	388,000	head	4%
Wool	8	2,115,000	lb.	5%
All Sheep and Lambs ⁵	8	260,000	head	4%
Honey	10	5,700,000	lb.	3%
All Cattle and Calves ⁵	15	2,000,000	head	2%

¹Excludes California

²Includes only Idaho, Washington, Michigan, and Oregon - fresh basis.

³Foodsize fish are defined as being 12 inches long or longer.

⁴Average number during year; excluding heifers not yet fresh.

⁵January 1, 2003, inventory.

Source: Idaho Agricultural Statistics Service

Schedule 21 - Expenditure and Inmate Population Growth

Fiscal Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Expenditures (in thousands)	\$118,156	\$120,159	\$105,491	\$93,452	\$87,702	\$82,045	\$71,126	\$64,409	\$59,755	\$47,991
% Change	(1.7)%	13.9%	12.9%	6.6%	6.9%	15.4%	10.4%	7.8%	24.5%	9.8%
Inmate Population	5,825	5,802	5,452	5,002	4,404	3,957	3,959	3,496	3,150	2,788
% Change	0.4%	6.4%	9.0%	13.6%	11.3%	(0.1)%	13.3%	10.0%	13.0%	15.3%

Source: 2003 Idaho Fiscal Facts

Schedule 22 - Idaho's Gross Domestic Product

Calendar Years 1994-2003 (dollars in billions)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Current Dollars	\$10,868	\$10,446	\$10,082	\$9,825	\$9,274	\$8,782	\$8,318	\$7,813	\$7,401	\$7,054
% Change	4.0%	3.6%	2.6%	5.9%	5.6%	5.6%	6.5%	5.6%	4.9%	6.2%
1996 Chain-Weighted	\$9,662	\$9,440	\$9,215	\$9,191	\$8,859	\$8,509	\$8,159	\$7,813	\$7,544	\$7,348
% Change	2.4%	2.4%	0.3%	3.8%	4.1%	4.3%	4.4%	3.6%	2.7%	4.0%

Note: 2003 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV, No. 3, July, 2003

Schedule 23 - Idaho's Tax Ranking Among the 50 States and D.C.

Lower ranking equals higher taxes, with 1 being the highest and 51 being the lowest.

Fiscal Years 1992-2000

Type of Tax	States w/Tax	Income Basis for Ranking									Per Capita Basis for Ranking								
		2000*	1999	1998	1997	1996	1995	1994	1993	1992	2000*	1999	1998	1997	1996	1995	1994	1993	1992
Property	51	29	29	30	31	34	35	37	37	37	36	36	36	36	35	37	38	38	39
Sales	47	31	28	30	29	25	25	22	27	24	39	39	40	38	36	36	34	34	35
Individual Income	44	16	16	16	15	15	16	15	16	15	23	26	28	27	27	27	24	26	25
Corporate Income	47	21	31	23	13	10	15	21	25	24	25	36	25	21	15	18	24	28	24
Motor Vehicle	51	4	3	3	3	9	9	6	6	7	6	2	3	4	13	16	9	12	13
Overall	51	20	17	22	21	24	23	25	33	29	39	41	41	41	40	40	38	39	40
Per Capita Income Ranking		42	46	46	45	42	40	40	40	45									

*2000 Most Current Year Available

Source: Idaho Tax Commission

Schedule 24 - Revenue from the Lottery

Fiscal Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Type of Ticket (in millions)										
Scratch	\$61.0	\$56.3	\$51.8	\$57.3	\$56.4	\$58.8	\$61.2	\$63.7	\$57.4	\$42.2
On-Line	\$35.9	\$35.3	\$28.6	\$27.6	\$32.5	\$29.2	\$23.8	\$25.4	\$28.8	\$28.5
Break Open	\$1.3	\$1.1	\$1.3	\$1.6	\$1.5	\$1.6	\$2.0	\$2.0	\$1.7	\$1.4
Other Income (in millions)	\$0.1	\$3.1	\$3.9	\$0.6	\$0.6	\$0.5	\$0.6	\$0.5	\$0.5	\$0.4
Gross Revenue (in millions)	\$98.3	\$95.8	\$85.6	\$87.1	\$91.0	\$90.1	\$87.6	\$91.6	\$88.4	\$72.5
Less:										
Prizes	\$56.6	\$53.1	\$49.3	\$51.0	\$52.3	\$52.4	\$53.3	\$55.2	\$52.9	\$41.3
Administration	\$19.7	\$18.8	\$17.8	\$17.9	\$17.3	\$17.1	\$15.9	\$16.6	\$16.9	\$15.6
Net Proceeds	\$22.0	\$23.9	\$18.5	\$18.2	\$21.4	\$20.6	\$18.4	\$19.8	\$18.6	\$15.6

Source: Idaho State Lottery

*State of Idaho***Schedule 25 - Assets, Liabilities, and Fund Balances****General Fund Accounts****June 30, 2003**

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
ASSETS					
Cash Equity with Treasurer	\$30,893,725	\$11,575,886	\$34	\$2,590,338	\$7,807,950
Cash and Cash Equivalents	30,092	317,664			184,975
Investments	66,580	6,645,765			3,869,817
Accounts Receivable, Net	445,625	150,000			
Taxes Receivable, Net	191,495,990	1,811,753			728,268
Due from/Advance to Other Funds		3,249,054			
Inventory	652,944				163,479
Loans and Notes Receivable, Net	3,190				
Other Assets	817,799	128,694			64,469
Total Assets	\$224,405,945	\$23,878,816	\$34	\$2,590,338	\$12,818,958
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$7,819,329	\$5,088,558		\$591	\$219,977
Due to/Advance from Other Funds	734,891				122
Deferred Revenue	67,365,281	3,474,939			50,635
Deposits	180,253				
Other Accrued Liabilities	12,206,832	38,185,239			35,813
Total Liabilities	88,306,586	46,748,736		591	306,547
Fund Balances					
Reserved for:					
Encumbrances	7,331,012			30,047	4,190,959
Inventory and Prepaid Items	1,470,743				163,479
Advances/Loans and Notes Receivable					
Other Purposes					
Unreserved, Reported in:					
General Fund	127,297,604	(22,869,920)	\$34	2,559,700	8,157,973
Total Fund Balances	136,099,359	(22,869,920)	34	2,589,747	12,512,411
Total Liabilities and Fund Balances	\$224,405,945	\$23,878,816	\$34	\$2,590,338	\$12,818,958

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
\$27,593,340	\$2,036,015		\$2,305,583	\$196,690	\$4,132,695	\$89,132,256
					59,301	592,032
					76,486	10,658,648
					4,011	599,636
15,174,054	26,065,215				250,056	235,525,336
					475,298	3,724,352
				2,669,836		3,486,259
						3,190
						1,010,962
\$42,767,394	\$28,101,230	\$0	\$2,305,583	\$2,866,526	\$4,997,847	\$344,732,671
			\$2,789	\$139,719		\$13,270,963
			2,464		\$512	737,989
\$1,949,414	\$16,004,719					88,844,988
						180,253
			170,405	85,112	3,832,354	54,515,755
1,949,414	16,004,719		175,658	224,831	3,832,866	157,549,948
					31,230	11,583,248
				2,669,836		4,304,058
					301,499	301,499
					59,301	59,301
40,817,980	12,096,511		2,129,925	(28,141)	772,951	170,934,617
40,817,980	12,096,511		2,129,925	2,641,695	1,164,981	187,182,723
\$42,767,394	\$28,101,230	\$0	\$2,305,583	\$2,866,526	\$4,997,847	\$344,732,671

*State of Idaho***Schedule 26 - Revenues, Expenditures, and Changes in Fund Balances****General Fund Accounts****For the Fiscal Year Ended June 30, 2003**

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
REVENUES					
Sales Tax	\$723,529,820	\$5,041,667			
Individual and Corporate Taxes	896,181,348	5,780,481			\$146,966
Other Taxes	32,379,609	8,617,859			5,132,220
Licenses, Permits, and Fees	8,850,053	2,877			9,539,832
Sale of Goods and Services	311,630	121,903			2,082,847
Grants and Contributions	294,450	181,083			62,384
Investment Income	13,454,935	4,946,960		\$140,886	583,707
Tobacco Settlement				23,772,414	
Other Income	4,531,091	32,583,463			64,933
Total Revenues	1,679,532,936	57,276,293		23,913,300	17,612,889
EXPENDITURES					
General Government	85,283,440	2,906,453		252,777	149,994
Public Safety and Correction	174,239,242			362,832	2,058,644
Health and Human Services				2,873,006	2,995,521
Education	94,424,164			153,874	979,136,291
Economic Development	19,288,743				675,315
Natural Resources	21,078,521				
Capital Outlay	8,441,265	86,020,897		774	2,765,753
Total Expenditures	402,755,375	88,927,350		3,643,263	987,781,518
Revenues Over (Under) Expenditures	1,276,777,561	(31,651,057)		20,270,037	(970,168,629)
OTHER FINANCING SOURCES (USES)					
Transfers In	287,107,688	9,193,556		4,943,065	972,269,621
Transfers Out	(1,549,377,719)	(55,000,000)	(\$53,089,999)	(73,025,591)	(15,965,114)
Total Other Financing Sources (Uses)	(1,262,270,031)	(45,806,444)	(53,089,999)	(68,082,526)	956,304,507
Net Change in Fund Balances	14,507,530	(77,457,501)	(53,089,999)	(47,812,489)	(13,864,122)
Fund Balances - Beginning of Year	121,591,829	54,587,581	53,090,033	50,402,236	26,376,533
Fund Balances - End of Year	\$136,099,359	(\$22,869,920)	\$34	\$2,589,747	\$12,512,411

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$129,592,486					\$1,500,104		\$859,664,077
					2,095,206		904,204,001
							46,129,688
				\$87,536	4,661,550		23,141,848
			\$20,495	2,279	11,425,884		13,965,038
				22,189	1,746,764		2,306,870
		\$248,284			80,966		19,455,738
							23,772,414
		1,713,028		2,157,086	7,905,824		48,955,425
129,592,486		1,961,312	20,495	2,269,090	29,416,298		1,941,595,099
125,386,755	\$7,260,954		5,475,780	116,274	7,203,692		234,036,119
					535,998		177,196,716
		12,459,111					18,327,638
					9,730,544		1,083,444,873
				414,710	696,695		21,075,463
				2,184,417	750,184		24,013,122
			7,624	52,716	180,012		97,469,041
125,386,755	7,260,954	12,459,111	5,483,404	2,768,117	19,097,125		1,655,562,972
4,205,731	(7,260,954)	(10,497,799)	(5,462,909)	(499,027)	10,319,173		286,032,127
	11,000,000	10,442,400	5,227,700	4,645,891	10,394,563	(\$1,176,155,116)	139,069,368
	(10,552,988)		(112,900)		(21,534,748)	1,176,155,116	(602,503,943)
	447,012	10,442,400	5,114,800	4,645,891	(11,140,185)		(463,434,575)
4,205,731	(6,813,942)	(55,399)	(348,109)	4,146,864	(821,012)		(177,402,448)
36,612,249	18,910,453	55,399	2,478,034	(1,505,169)	1,985,993		364,585,171
\$40,817,980	\$12,096,511	\$0	\$2,129,925	\$2,641,695	\$1,164,981		\$187,182,723

Schedule 27 - Miscellaneous Statistics

State Capitol: Boise
 Admitted to the Union: July 3, 1890
 Nickname: The "Gem State"
 Motto: "Esto Perpetua" (Let It Be Perpetual)
 2002 Population: 1,341,131
 Highest Elevation Point:
 Mt. Borah; 12,662 Feet Above Sea Level
 Lowest Elevation Point:
 Snake River, Lewiston; 770 feet Above Sea Level
 Number of Lakes: More Than 2,000
 State Song: "Here We Have Idaho"
 State Insect: Monarch Butterfly
 State Fish: Cutthroat Trout
 State Bird: Mountain Bluebird
 State Horse: Appaloosa
 State Tree: Western White Pine
 State Gem Stone: Idaho Star Garnet
 State Flower: Syringa

Source: Idaho Blue Book, 2003-2004
 Idaho Department of Commerce (Population)

COMMUNITIES IN IDAHO WITH POPULATIONS OVER 10,000

Boise	185,787
Nampa	51,867
Pocatello	51,466
Idaho Falls	50,730
Meridian	34,919
Coeur d'Alene	34,514
Twin Falls	34,469
Lewiston	30,904
Caldwell	25,967
Moscow	21,291
Rexburg	17,257
Post Falls	17,247
Mountain Home	11,143
Eagle	11,085
Garden City	10,624
Blackfoot	10,419

Source: U.S. Census Bureau, 2000

LAND AREA AND USE (in square miles)

Total Area:	84,437
Land Area:	83,557
Water Area:	880
Federal Land:	52,699
Total Non-Federal Land:	30,858
Total Rural Land:	78,768
Agricultural Land:	12,170
Range Land:	34,353
Forest Land:	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Source: Idaho Blue Book, 2003-2004

The Following Statistics are from Calendar Year 2003

Number of:	
Licensed Hospitals:	47
Optometrists:	339
Chiropractic Physicians:	411
Physicians:	2,444
Dentists:	898
Public Schools	
Elementary:	362
Secondary:	295
Non-Public Schools	
Elementary:	50
Secondary:	31
Colleges and Universities:	11
Public Libraries:	149

Source: Idaho Department of Commerce



Koenig, Hells Canyon, Wind Ridge, and the Symms Vineyards Surrounding Ste. Chapelle Winery by the Snake River Outside of Marsing
Photo Courtesy of the Idaho Grape Growers and Wine Producers Commission

The Snake River Wine Region

Idaho has some of the most unique growing conditions in the world and is one of the most exciting emerging wine regions in the Pacific Northwest. Wine enthusiasts are starting to take notice of the quality of Idaho wines. In one of the most diverse agricultural regions in the country, an area certainly more famous for its potatoes, Idaho's vintners are carving their own niche as an important piece of the Pacific Northwest wine industry. The number of wineries in the State has nearly doubled and now stands at 19, contributing \$37 million annually to Idaho's economy.

The majority of Idaho's vineyards are in the southwest corner of the State near the famous Snake River. Deep canyons, rolling hills, and lush valleys along Idaho's Snake River are home to the nation's new frontier of wine production. It is the combination of long grow-

ing days, moderate climate, and unique soil that make the Snake River region of Idaho so beneficial to growing wine grapes.

The benevolent Snake River tempers an otherwise hostile desert steppe, creating a microclimate ideal for grape growing. Despite the surrounding arid landscape, the air currents created by the moving mass of water temper the low temperatures of winter and the heat of summer. The Snake River Valley's lack of rainfall is considered a plus; water is one element that can be controlled here by the grower through irrigation. Idaho's dry agricultural area receives fewer than 10 inches of rain a year. It is no wonder the majority of Idaho's wineries are scattered throughout the Snake River Valley.



Zinfandel Grapes Ready for Harvest
Photo Courtesy of the Parma Ridge Vineyards

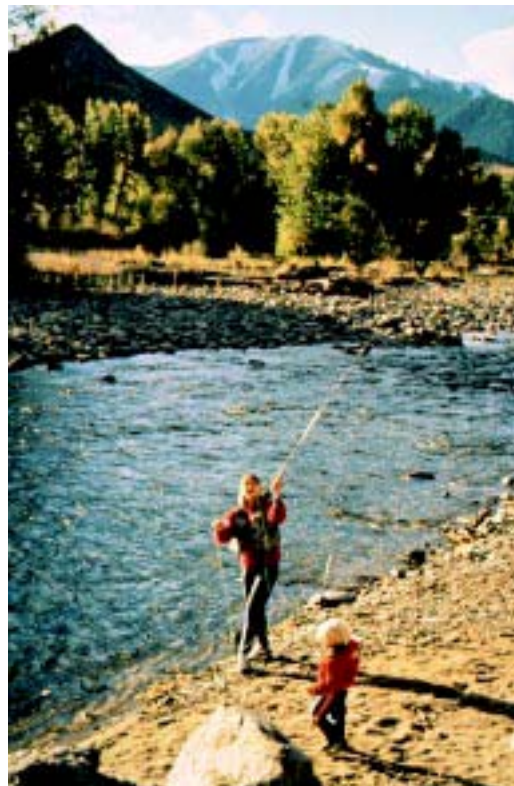


Fly Fishing on the Snake River
Photo Courtesy of the Idaho Department of Commerce

Fishing Idaho's Famous Rivers

Anglers come from all around to enjoy the famous steelhead runs of the Snake, Salmon, and Clearwater rivers. The steelhead season usually runs through the fall and winter. Smallmouth bass, catfish, trout, and sturgeon provide excitement in the spring and summer. Salmon fishing is occasionally available.

Pheasant, quail, chukar, hawks, geese, ducks, owls, and cottontail rabbits are common residents. Eagles, pelicans, herons, swans, deer, otter, and even bighorn sheep are known to visit the region encompassed by the Snake River.



Attempting to Fly Fish on the Snake River
Photo Courtesy of the Idaho Department of Commerce